Annual Report 2003 - 2004

Bharat Petroleum

energising lives

Energising Lives

Lives of each and every person we touch,
directly or indirectly, each day.

BPC is in the business of energy -
fuelling flights,
motor spirit and diesel for cars and trucks,
cooking gas for homes,
fuels to industry,
kerosene to the humble villages of this land.

But as we progress,
our vision stretches to new frontiers of energy -
to provide value
to the lives of millions of Indians
working towards building
a strong, self-reliant nation.

GROUP PERFORMANCE HIGHLIGHTS

BPC is a Fortune 500 company

Sales Turnover soared by 10% touching Rs. 625.69 billion

Net Profit surged by 30% to Rs. 23.64 billion

Earnings per share zoomed to Rs. 67.80

Market sales including exports leaped to 21.92 MMT

Crude throughput increased to 18.81 MMT

BANKERS

State Bank of India

Union Bank of India

Corporation Bank

Bank of India

State Bank of Patiala

Central Bank of India

Standard Chartered Grindlays Bank

Standard Chartered Bank

ABN Amro Bank N.V.

ICICI Bank

HDFC Bank

State Bank of Travancore

Indian Bank

AUDITORS

V. Sankar Aiyar & Co.

REGISTERED OFFICE

Bharat Bhavan, 4 & 6 Currimbhoy Road,
Ballard Estate, Mumbai 400 001.

BOARD OF DIRECTORS

S. BEHURIA
Chairman & Managing Director

ASHOK SINHA
Director (Finance)

S.A.NARAYAN
Director (Human Resources)

S. RADHAKRISHNAN
Director (Marketing)

M. ROHATGI
Director (Refineries)

M.S.SRINIVASAN
Additional Secretary, Ministry of Petroleum & Natural Gas

A. K. SRIVASTAVA
Joint Secretary, Ministry of Petroleum & Natural Gas (w.e.f. 16.9.2003)

B. MOHANTY
Joint Advisor (Finance), Ministry of Petroleum & Natural Gas

S. VIJAYARAGHAVAN
Joint Secretary, Ministry of Petroleum & Natural Gas (upto 2.9.2003)

P. C. SEN
(w.e.f. 5.9.2003)

A. H. KALRO
(w.e.f. 5.9.2003)

V. D. GUPTA
(w.e.f. 5.9.2003)

P.N.KHANDWALLA
(upto 4.9.2003)

K. VASUDEVA
(upto 4.9.2003)

P.P. KALIAPERUMAL
(upto 4.9.2003)

D.M. NAIK BENGRE
Company Secretary

MANAGEMENT TEAM

ASHOK SINHA
Director (Finance)

S. BEHURIA
Chairman & Managing Director

S.A.NARAYAN
Director (Human Resources)

M. ROHATGI
Director (Refineries)

S. RADHAKRISHNAN
Director (Marketing)

Mr. K. Subramanyam	Chief Vigilance Officer
Mr. A. K. Bansal	Executive Director (Corporate Affairs)
Mr. S. Chatterjee	Executive Director (Industrial & Commercial)
Mr. S. K. Joshi	Executive Director (Corporate Treasury)
Mr. S. Krishnamurti	Executive Director (Retail)
Mr. T. K. Majumdar	Executive Director (Legal)
Mr. S. Mohan	Executive Director (Human Resources Development)
Mr. S. K. Phull	Executive Director (Exploration & Production)
Mr. V. V. Ramamurthy	Executive Director (Refinery Modernisation Project), Refinery
Mr. S. S. Ramgarhia	Executive Director (Coordination)
Mr. J. Ravichandran	Executive Director (Audit)
Mr. C. K. Sengupta	Executive Director (Finance)
Mr. S. K. Sharma	Executive Director (International Trade)
Mr. R. K. Singh	Executive Director (LPG)
Mr. R. P. Singh	Executive Director (Integrated Information Systems)
Mr. V.K. Agrawal	General Manager (Refinery Modernisation), Refinery
Mr. N. Bhakta	General Manager (Taxation)
Mr. P. S. Bhargava	General Manager (Planning)
Ms. Sumita Bose Roy	General Manager (International Trade)
Mr. S. Chandramohan	General Manager (Finance), Refinery
Mr. B. K. Datta	General Manager Incharge, Refinery
Mr. Anurag Deepak	General Manager (Industrial Business Development)
Mr. S. P. Gathoo	General Manager (Lubes)
Mr. Pallav Ghosh	General Manager (Retail) Headquarters
Mr. Vinod Giri	General Manager (Retail) East
Mr. K. K. Gupta	General Manager (Logistics)
Mr. N. Haran	General Manager (Real Estate)
Mr. Arjun Hira	General Manager (Marketing Coordination)
Mr. U. N. Joshi	General Manager (Aviation)
Mr. M. K. Kaul	General Manager (Engineering & Advisory Services), Refinery
Mr. V. D. Kumar	General Manager (Vigilance)
Mr. L. Lobo	General Manager (City Gas Task Force)
Mr. S. P. Mathur	General Manager (Retail), North
Mr. R. K. Mehra	General Manager (Retail),West
Capt. M. J. Mohan	General Manager (Joint Ventures & Subsidiaries)
Ms. Nalini K. Murthy	General Manager (Public Relations & Brand)
Mr. A. Ramakrishnan	General Manager (Retail Network Planning & Development)
Mr. S. Ramesh	General Manager (Retail Strategy / Brand & Allied Retail Business)
Mr. D. M. Reddy	General Manager (Human Resource Services)
Mr. B. S. Sant	General Manager (Bina Refinery Project Cell), Refinery
Ms. Dipti Sanzgiri	General Manager (Finance), Retail
Mr. A. C. Sen	General Manager (Health, Safety & Environment)
Mr. Amitabha Sengupta	General Manager (Personnel & Administration), Refinery
Mr. K. V. Seshadri	General Manager (Operations), Refinery
Dr. M. A. Siddiqui	General Manager (Research & Development)
Mr. Manmohan Singh	General Manager (Engineering & Projects), Marketing
Mr. J. S. Sokhi	General Manager (Strategy)
Mr. S. Varadarajan	General Manager (Retail) South
Mr. D. M. Naik Bengre	Company Secretary
Mr. B. P. Singh	Dy. General Manager (Employee Satisfaction Enhancement)

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the 51st Annual General Meeting of the Shareholders of Bharat Petroleum Corporation Limited will be held in the Y.B. Chavan Auditorium, at Yeshwantrao Chavan Pratishthan, General Jagannath Bhosale Marg, Mumbai 400021, on Monday, 30th August, 2004, at 10.30 a.m. to transact the following Ordinary Business and Special Business :

A. Ordinary Business

1. To receive and adopt the Directors' Report and the Report on Corporate Governance, the Audited Profit & Loss Account for the year ended 31st March, 2004 and the Balance Sheet as at that date with the Reports of the Statutory Auditors and the Review of the Comptroller & Auditor General of India thereon.

2. To declare final dividend.

3. To appoint a Director in place of Shri Ashok Sinha, Director (Finance), who retires by rotation in pursuance of Section 256 of the Companies Act, 1956. Shri Ashok Sinha, being eligible, offers himself for re-appointment.

4. To appoint a Director in place of Shri S.Radhakrishnan, Director (Marketing), who retires by rotation in pursuance of Section 256 of the Companies Act, 1956. Shri S. Radhakrishnan, being eligible, offers himself for re-appointment.

5. To appoint a Director in place of Shri M. Rohatgi, Director (Refineries), who retires by rotation in pursuance of Section 256 of the Companies Act, 1956. Shri M. Rohatgi, being eligible, offers himself for re-appointment.

6. To fix the remuneration of the Statutory Auditors

   To consider and, if thought fit, to pass the following Resolution, with or without modifications, as a Special Resolution :-

   "RESOLVED that pursuant to the provisions of Section 224(8)(aa) and other applicable provisions, if any, of the Companies Act, 1956, remuneration of the Single / Joint Statutory Auditors to be appointed by the Comptroller & Auditor General of India (C&AG) under Section 619(2) of the said Act, be and is hereby approved to be fixed at Rs. 10,00,000 to be paid to the Single firm of Statutory Auditors or to be shared equally by the Joint Statutory Auditors, in case of appointment of Joint firms of Statutory Auditors by the C&AG, in addition to actual reasonable travelling and out of pocket expenses and service tax as applicable, for the year 2004-05 and for subsequent years, till further recommendation for increase in the remuneration is approved."

B. Special Business

7. **Appointment of Director**

   To consider and, if thought fit, to pass the following Resolution, with or without modifications, as an Ordinary Resolution :-

   "RESOLVED that Shri A.K. Srivastava, Joint Secretary, Ministry of Petroleum & Natural Gas (MoP&NG) be and is hereby appointed as a Director of the Company till he holds office in the MoP&NG or till he retires by rotation, whichever is earlier."

8. **Appointment of Director**

   To consider and, if thought fit, to pass the following Resolution, with or without modifications, as an Ordinary Resolution :-

   "RESOLVED that Shri V.D. Gupta, be and is hereby appointed as a Director of the Company."

9. **Appointment of Director**

   To consider and, if thought fit, to pass the following Resolution, with or without modifications, as an Ordinary Resolution :-

   "RESOLVED that Shri P. C. Sen, be and is hereby appointed as a Director of the Company."

10. **Appointment of Director**

    To consider and, if thought fit, to pass the following Resolution, with or without modifications, as an Ordinary Resolution :-

    "RESOLVED that Prof. A.H. Kalro, be and is hereby appointed as a Director of the Company."

By Order of the Board of Directors

Sd/-
(D.M. Naik Bengre)
Company Secretary

Registered Office :
Bharat Bhavan,
4 & 6 Currimbhoy Road,
Ballard Estate,
MUMBAI - 400 001.
Date : 27th July, 2004

Notes :

1. Explanatory statements under Section 173 of the Companies Act, 1956, in respect of the above items of Special Business and Explanatory Statement in respect of the Special Resolution at Item No. 6 are annexed hereto.

2. A shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies, in the alternative, to attend and vote instead of himself and such proxy need not be a shareholder. Proxies, in order to be effective, should be duly completed & affixed with the revenue stamp and be deposited at the Registered Office of the Company not less than forty-eight hours before commencement of the Meeting.

3. In order to help us in providing appropriate answers backed by relevant financial data, the shareholders may please send their queries that they would desire to raise at the Annual General Meeting, at least one week in advance, to the Company Secretary at the Registered Office.

EXPLANATORY STATEMENTS FOR THE SPECIAL BUSINESS PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.

Item No 6. Fixation of the remuneration of the Statutory Auditors

The Remuneration of the Statutory Auditors was fixed, earlier, by the shareholders at the 48th Annual General Meeting held on 26th September, 2001, at Rs. 8,50,000 to be shared equally in addition to actual reasonable travelling and out of pocket expenses and applicable service tax. However, the nature and scope of the Audit have increased due to the developments such as implementation of certain new Accounting Standards by the Institute of Chartered Accountants of India, increase in reporting responsibilities and need for verification of additional data due to issue of the Companies (Auditor's Report) Order, 2003 which replaces the Manufacturing & Other Companies (Auditor's Report) Order, 1988, by Dept. of Co. Affairs, etc. Considering increase in the nature and scope of audit activities, the Audit Committee has recommended increase in the remuneration of the Statutory Auditors from Rs. 8,50,000 to Rs. 10,00,000 to be paid to the single / joint firm of Statutory Auditors, in addition to actual reasonable travelling and out of pocket expenses and service tax as applicable, for the year 2004-05 and for subsequent years, till further approval of the shareholders for increase in the remuneration.

None of the Directors are interested or concerned in the Resolution.

Item No. 7. Appointment of Director

Shri A.K. Srivastava, Joint Secretary, Ministry of Petroleum & Natural Gas, was appointed as Additional Director, by the Board of Directors, with effect from 16th September, 2003, under the provisions of Article 77A of the Articles of Association of the Company, in accordance with the intention of the Government of India.

Shri A.K.Srivastava, being an Additional Director, holds office up to the date of the ensuing Annual General Meeting. The Company has received a notice, u/s 257 of the Companies Act, 1956, from a shareholder, proposing the name of Shri A.K. Srivastava as Director of the Company. A brief resume of Shri A.K. Srivastava, as required under Clause 49(VI) of the Listing Agreement, is provided separately in the Corporate Governance Report enclosed to the Directors' Report. The Directors recommend appointment of Shri A.K. Srivastava as Director of the Company.

Except Shri A.K. Srivastava, no other Director is interested or concerned in the Resolution.

Item No. 8. Appointment of Director

Shri V.D. Gupta was appointed as Additional Director, by the Board of Directors, with effect from 5th September, 2003, under the provisions of Article 77A of the Articles of Association of the Company, in accordance with the intention of the Government of India.

Shri V.D. Gupta, being an Additional Director, holds office up to the date of the ensuing Annual General Meeting. The Company has received a notice, u/s 257 of the Companies Act, 1956, from a shareholder, proposing the name of Shri V.D. Gupta as Director of the Company. A brief resume of Shri V.D. Gupta, as required under Clause 49(VI) of the Listing Agreement, is provided separately in the Corporate Governance Report enclosed to the Directors' Report. The Directors recommend appointment of Shri V.D. Gupta as Director of the Company.

Except Shri V.D. Gupta, no other Director is interested or concerned in the Resolution.

Item No. 9. Appointment of Director

Shri P. C. Sen was appointed as Additional Director, by the Board of Directors, with effect from 5th September 2003, under the provisions of Article 77A of the Articles of Association of the Company, in accordance with the intention of the Government of India.

Shri P. C. Sen, being an Additional Director, holds office up to the date of the ensuing Annual General Meeting. The Company has received a notice, u/s 257 of the Companies Act, 1956, from a shareholder, proposing the name of Shri P. C. Sen as Director of the Company. A brief resume of Shri P. C. Sen, as required under Clause 49(VI) of the Listing Agreement, is provided separately in the Corporate Governance Report enclosed to the Directors' Report. The Directors recommend appointment of Shri P. C. Sen as Director of the Company.

Except Shri P. C. Sen, no other Director is interested or concerned in the Resolution.

Item No. 10. Appointment of Director

Prof. A.H. Kalro was appointed as Additional Director, by the Board of Directors, with effect from 5th September 2003, under the provisions of Article 77A of the Articles of Association of the Company, in accordance with the intention of the Government of India.

Prof. A.H. Kalro, being an Additional Director, holds office up to the date of the ensuing Annual General Meeting. The Company has received a notice, u/s 257 of the Companies Act, 1956, from a shareholder, proposing the name of Prof. A.H. Kalro as Director of the Company. A brief resume of Prof. A.H. Kalro as required under Clause 49(VI) of the Listing Agreement, is provided separately in the Corporate Governance Report enclosed to the Directors' Report. The Directors recommend appointment of Prof. A.H. Kalro as Director of the Company.

Except Prof A.H.Kalro, no other Director is interested or concerned in the Resolution.

By Order of the Board of Directors

Sd/-
(D.M. Naik Bengre)
Company Secretary

Registered Office :
Bharat Bhavan,
4 & 6 Currimbhoy Road,
Ballard Estate,
MUMBAI - 400 001.
Date : 27th July, 2004

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENTS

In the year 2003-04, the Indian economy has bounced back and is on course to a high growth trajectory. The country achieved an annual GDP growth rate of 8.2%. This impressive growth rate could be attributed to a bountiful monsoon and the stellar performance from the services, agriculture and automobile sectors. The hospitality industry has also been buoyant due to high tourist inflow. The annual GDP growth is likely to be in the range of 8% plus.

In this background, the oil industry has also come out of stagnation by registering growth. The consumption of petroleum products for the financial year 2003-04 is estimated at 107.7 million metric tonnes (MMT) registering a growth of about 3.4%. A major change in the consumption pattern was the welcome growth in High Speed Diesel (HSD) consumption which was either stagnant or was reducing during the last three years. All the leading indicators influencing diesel consumption viz. increase in road infrastructure, growth in the automobiles sector, were always pointing to growth. However, HSD growth was negative even in the first half of the year 2003-04. The welcome move on the regulation on parallel marketing of Superior Kerosene Oil (SKO) by the Government brought the much needed relief for HSD consumption. The remaining months showed a considerable growth, touching double digits on three occasions, with a high of 14% in March 2004, the terminal month of the year. Annual HSD consumption during 2003-04 was 37.2 MMT as against 36.6MMT in 2002-03, representing 1.7% growth. Even during the first three months of the financial year 2004-05, high HSD growth is continuing.

The Government's policy of promoting 'Green' fuels, particularly in highly polluted areas, prompted a triple digit growth in Compressed Natural Gas (CNG) sales. Growth in automobiles moved the Motor Spirit (MS) sales upwards by 5.2%. A turnaround in the aviation sector due to the 'open skies policy' gave a major fillip to Aviation Turbine Fuel (ATF) consumption, which grew by 10.3% from 2.2 MMT to 2.5 MMT. Massive highway projects undertaken by the Government pushed Bitumen consumption up by 19.7% from 2.9 MMT to 3.4 MMT. LPG consumption recorded an impressive growth of about 1 MMT from 8.3 MMT to 9.3 MMT with a growth percentage of 11.6.

On the flip side, in line with Government policies, consumption of kerosene declined 2% from 10.4 MMT to 10.2 MMT, including a fall in PDS consumption of 3.3%. Naphtha sales also dropped by about 3%.

The 2003-04 fiscal saw India's refinery capacity rising from about 115 MMT to about 118 MMT. During the year, 17 state-owned refineries and one private sector refinery of Reliance together processed around 121.77 MMT of crude, with some of the refineries surpassing installed capacities to help achieve 103 % capacity utilisation.

India is long on refining capacity and growth in domestic demand was not sufficient to cover the gap. The country, as such, has now been recognised as an exporter. In US $ terms, exports of petroleum products have shot up by a whopping 56% over last year during 2003-04. ATF, HSD and MS exports grew by 138%, 90% and 27% respectively.

Although the volatility in the international crude prices was reduced during 2003-04, the year was marked with high international crude and product prices. The continued political instability in Iraq, renewed tensions in Nigeria and Venezuela, booming demand in China, the crunch in US inventories, terrorist premiums and activities of hedge funds kept the international prices high. Brent crude oil prices were at an average of US $29 per barrel during 2003-04 as against US $ 27 per barrel during 2002-03. The product prices increased more than the crude price increases and the refiners' margins increased the world over.

The price deregulation process, which was started in 2002-03, was further strengthened and the companies were able to tune the domestic prices of MS and HSD with international prices to a great extent. SKO (PDS) and LPG (Domestic) prices, however, were maintained throughout the year. The resultant under-recovery to the oil marketing companies was shared in line with the Government policy in an agreed formula. One-third of the under-recoveries was recovered through cross subsidisation through other products. Another one-third was made good by way of discounts in the domestic crude oil and LPG prices charged by the upstream players to the refineries and marketing companies.The rest of the under-recoveries were borne by the oil marketing companies themselves.

Although the year did not see any major restructuring by the players, towards the end of the year Indian Oil Corporation (IOC) announced its intentions to merge its subsidiary IBP Company Limited with itself. Although at present it is not clear whether the IBP brand would be separately maintained or not, this would certainly help IOC to expand its reach further and consolidate its position. The new entrants to the market, Essar and Reliance, have put up some retail outlets during the year. Although the number is not very significant as of now, it is expected that the same would increase considerably during the years to come. Other players like Shell and Oil & Natural Gas Corporation Limited (ONGC) are also likely to enter the retail fray.

Another landmark event in the Indian energy sector was commissioning of the first Liquefied Natural Gas (LNG) terminal by Petronet LNG Limited (PLL), the joint venture company looking after import and regassification of LNG promoted by the public sector oil companies. A high tech cryogenic tanker, 'Disha', leased by PLL, brought the first LNG consignment from Ras Laffan Port in Qatar to Dahej on 30th January 2004. Last year also witnessed a number of new Natural Gas (NG) finds in the country. NG and LNG are environmentally superior fuels and are likely to replace a major quantum of industrial liquid fuels in the days to come.

OPPORTUNITIES AND THREATS

As deregulation starts to settle in, many incumbents feel the pressure of many unaccustomed challenges. The challenges would be customer satisfaction and retention, protection of market share and maintaining profitability in a competitive scenario. We see opportunities in the growing oil demand in a fast developing country like India, possibilities of leveraging the marketing capabilities and use of information technology for better market response and for monitoring performance.

To start with, the growth can take care of the increased products available from the refinery de-bottlenecking and expansions. BPC Refinery is in the process of increasing its name-plate capacity to 12 MMT and the project is likely to be over during this financial year.

The strong refiners' margin prevailing throughout the world is making refining attractive, even if a portion of the product needs to be exported. In other words, India is now a truly world player and the refineries need not restrict their output keeping in mind only the domestic market. It is now possible to look at the world as a single market and reap the benefits of full processing capacity of the Refinery.

Last year, BPC commissioned its pipeline extension from Manmad to Indore. Thus, the pipeline now links Mumbai to Indore with a Tap Off Point (TOP) at Manmad. BPC is likely to further expand this pipeline from Indore to Delhi linking the Mumbai Refinery to Delhi. Under the new Government policy in the pipelines sector, various companies have come up with projects to develop more pipelines. BPC has expressed its willingness to participate in some of these projects.

Taking advantage of the open market access during last year, BPC has already put up 676 retail outlets, which is a record for any year. It is pertinent to note that BPC is the only company which has maintained a throughput per RO of 200 KL despite commissioning of new outlets. BPC is also in the process of furthering the network expansion and the number of retail outlets planned to be set up during the next financial year is about 700. The network expansion opportunities would remain in the years to come.

Another major opportunity would be in the field of information technology. BPC is already fully networked and online with satellite uplinking through KU band. The technology can be further used to network the retail outlets for better market response and monitoring. Various interesting alternative uses of this technology are feasible which are being studied and would be deployed suitably.

BPC has a low debt equity ratio. Thus, there is a financial strength which can be used to harness the available opportunities in the energy sector. BPC has already entered the exploration and production of crude oil and gas in a small way through New Exploration Licensing Policy-Round IV (NELP IV). Other avenues for new acreage and 'farming in' opportunities are being explored. BPC is also looking into tapping the potential of marketing of Gas, particularly city distribution, in a major way. Other related sectors like power are also being studied.

BPC sees threats due to increased competition as a result of the entry of private players, which may lead to a possible loss of market share. BPC expects that the future would involve uncertain margins, changes in dealer-distributor loyalty, high customer expectations and competition for experienced manpower in the market and only the nimble will survive and do well. BPC has been taking steps to be amongst the successful players.

Establishment of high number of retail outlets by all players may result in surplus forecourt capacity. This would mean that some of the smaller outlets may become unviable and would have to be resited or closed. BPC has been looking at the outlet-wise trends and would be taking up a network purification process in the years to come.

The changing façade of the energy sector and the shift to NG/LNG as a cheaper alternate to liquid fuels is also a major cause of concern. These fuels are likely to affect the industrial demand for liquid fuels like Naphtha and Furnace Oil. The threat would be on two counts - loss of market sales and creation of a surplus within the country. Currently, BPC is looking at export of these products as an alternate to the domestic sales. With the current levels of product - crude differentials, these exports are also resulting in healthy contribution.

PERFORMANCE

BPC operates in a single segment viz. downstream oil refining and marketing. The performance of each of the Strategic Business Units (SBU) is discussed hereunder.

C & MD and Directors inspect the Refinery Modernisation Project.

REFINERY

Refinery

Year 2003-04 was the 'year of projects' for the Refinery. The Refinery spent Rs. 7,900 million on capital projects, which is a record of sorts. This capital expenditure means an average spending of more than Rs.20 million per day. During the year, a large skilled contract workforce of around 3500 was involved in construction activities.The Refinery performed well in project management on all fronts viz. project conceptualization, planning and execution.

One of the key projects has been the Refinery Modernisation Project, which consists of four main units viz. Crude / Vacuum Distillation Unit (CDU/VDU), Hydrocracker Unit, Hydrogen Unit and Sulphur Recovery Unit, in addition to various offsite facilities. This project aims at producing environment friendly fuels and reducing source emissions from the Refinery and simultaneously enhancing the refining capacity to 12 MMT per annum. Execution of this project in the existing Refinery with its space constraints posed many major challenges. This involved large scale re-organization of existing operating facilities and ingenious solutions for accommodating new equipments.

The key challenges of the project execution included road & marine transportation and erection of three over dimensioned high pressure hydrocracker reactors, weighing approx. 445 MT each, supplied by M/s. Kobe Steel, Japan and setting up of 'deep cut vacuum distillation facilities' which will result in better yields. A major part of the construction work of this massive project has already been completed in this year and all facilities will be on stream during 2004-05.

Exploiting the high value feedstock available from the Hydrocracker, the Refinery has conceptualized a project for manufacture of value added Lube Oil Base Stock (LOBS). The project is a novel one, producing LOBS by hydro dewaxing with high product yields as compared to conventional solvent dewaxing technology. Production of LOBS at the Refinery would also provide the much needed feedstock security to the Lubricants business.

For producing Euro III equivalent petrol, many alternatives were considered; however, revamp of the Catalytic Reforming Unit was selected since it was the least cost option.The process scheme for the facility has been finalized and construction activities have been initiated.

While undertaking considerable project activities, BPC Refinery sustained its high level of performance in refinery operations.The Refinery processed 8.76 MMT of crude during the year, which was higher than 8.71 MMT achieved in the previous year. The Gross Margin increased to US $ 4.64 per barrel from US $ 3.71 per barrel in the previous year, inspite of reduction in Mumbai High (MH) crude from 5.48 MMT in the previous year to 4.19 MMT. A higher margin was achieved by maximizing production of

value added products like ATF, LPG etc. selection of right crude mix and favourable product - crude oil price differential.

Mean Time Between Failure (MTBF) for rotary equipments, an index of reliability in the Refinery, has gradually improved to 5.2 years from 2.9 years in 1995-96. This has been achieved by adopting intensive predictive maintenance involving use of state-of-the-art techniques like laser alignment for rotary equipments, continual vibration monitoring, improved lube oil quality and introduction of mist lubrication system.

Improved reliability of captive power generation and supply has helped in reduced dependence on purchased power and avoidance of unplanned outages of process units due to power failures.

To overcome the constraint of restricted availability of MH crude and to increase flexibility for crude processing, BPC Refinery is scouting for new types of crude oil for further enhancing its crude basket. During 2003-04, the Refinery has procured and processed 3 new crudes viz. Al-Shaheen from Qatar, Seria Light and Champion from Brunei, taking the total number of crude oils processed to 61. Further, installation of a hydrocracker plant as a part of the Refinery Modernization Project would enable the Refinery to process increased quantity of high sulphur crudes. In addition, the Refinery has also increasingly started processing different crude oil blends in its Crude Distillation Unit. Crude storage capacity is also being enhanced progressively and during the year, the crude cover has been augmented further by 2 days.

BPC Refinery has lived upto the expectations of quality conscious consumers demanding specialized grades of products like Naphtha, Fuel Oil and LSHS by dovetailing many initiatives and has remained customer centric. During 2003-04, among the new products introduced, the notable ones were MS 93 RON and special grade Fuel Oil for DG sets.

Refinery employees completed 1 million man-hours without Loss Time Accident (LTA) twice and 2 million man-hours without LTA once during the year.

Safety training efforts during the year were further augmented in view of increased construction activities and the Refinery trained more than 15200 contractor workmen in addition to 1835 BPCL personnel.

The Refinery has taken safety beyond the workplace by conducting safety training programmes for tank lorry drivers who carry hazardous goods, on a regular basis. The programme covers road safety, handling of

BPC's time chartered Aframax vessel.

emergency situations in case of spillage of petroleum products etc. Regional Transport Authorities have been quite appreciative of the efforts undertaken by BPC Refinery and are endorsing this training on the driving licence of tank lorry drivers.

BPC Refinery was the first refinery to discontinue use of Tetra Ethyl Lead (TEL), for octane boosting in petrol. However, effective disposal of TEL lying in stocks without contaminating the environment was a challenging task. In consultation with the original vendor, M/s. Octel, UK, the Refinery completed this activity during the year, which involved cleaning of the site, packing the material in safe containers and sending the same to a dedicated reprocessing facility in the UK. The transportation required permissions from environmental authorities involving stringent procedures, in India and abroad under Trans Boundary Movement Protocol.

The Refinery recovered 1740 M^3 of valuable hydrocarbons from 3300 M^3 of oily waste, using an environmentally benign mechanical oil recovery process, which has helped, not only to conserve the environment, but also to recover costs.

BPC Refinery has become a member of the Trans Thane Creek Waste Management Association. The membership gives BPC the permission to dispose off solid hazardous waste in a secured land fill site at Mahape, New Mumbai.

BPC Refinery has won several awards for environmental conservation over the years including the Gold Award in the Refinery sector by M/s. Greentech Foundation, New Delhi for 2002-03.

Analytical and quality assurance facilities at the Refinery's Central Laboratory have been upgraded to test premium quality products like Euro III / IV equivalent Diesel and Petrol. The laboratory has been approved by DGAQA (Directorate General of Aeronautical Quality Assurance) for production, storage inspection/testing and distribution of ATF for supply to Defence. Further, National Accreditation Board of Laboratories conducted a surveillance audit of the Refinery laboratory for re-certification.

In addition, the Refinery laboratory has enrolled in the world-class proficiency testing programme - Shell Main Product Correlation Service (SMPCS) - of M/s. Shell Global Solution for benchmarking its facilities against best in class. This programme enables quality assurance laboratories across the globe to cross check their analytical capabilities for repeatability and reproducibility.

The Corporate R&D centre (CRDC) Greater Noida, equipped with sophisticated, analytical equipments and research facilities, staffed by skilled scientists in the areas of analytical sciences, catalysis & catalytic processes, simulation & modelling, crude oil evaluation, fuel characterization, etc. is giving full support to Refinery operations and value maximization.

The Refinery Learning Centre conducted more than 150 programmes, covering both functional & developmental areas. In recognition of the various initiatives taken, the Refinery Learning Centre was awarded the Golden Peacock National Training Award for the second consecutive year, the only PSU to get this accolade twice.

The Seagate Intelligent Enterprise Award 2003 for Digital Nervous System - End-to-End Refinery Process Integrator and Knowledge Portal was awarded to the BPC Refinery Information Systems Team.

The Refinery received the 'Sahyog Award 2003' for outstanding contributions in the field of Rural Development from Sahyog Foundation, a prominent socio-cultural organization dedicated and committed to the cause of uplifting the underprivileged strata of society.

With an eye on continuous improvement and reaching a leadership position, concrete initiatives have been taken to improve energy utilization, reduce hydrocarbon losses and operating expenditure through better maintenance, inspection practices, R&D, new technologies, informed decision making processes and increased employee participation. All these efforts are in the direction of providing better returns to shareholders and improving customer satisfaction in the challenging times ahead.

Director (HR) reaches out to the underprivileged.

Sahyog Foundation rewards BPC for Excellence in Rural Development.

BPC receives the Greentech Environment Excellence Gold Award 2002-03 in the refinery sector.

RETAIL

Retail

The financial year 2003-04 was an eventful year for the Retail SBU. Fuel sales through the Retail SBU have touched an all time record of 12.05 MMT as against 11.88 MMT during last year. BPC retained the number two position in the retail fuels market.

The main success story of BPC Retail during 2003-04 has been ‘Speed’. The high performance branded petrol launched just two years back is now representing about 10% of BPC’s MS volumes. During the year ‘Speed’ sales were 241 TMT from 1100 outlets across the country where it is available. BPC is the market leader in the premium fuels category with about 49% market share during the year. Even during market surveys, the brand recall of ‘Speed’ has been the highest in the premium fuels sector. BPC plans to focus on this brand and has now brought out ‘Speed 93’, the 93 octane version of ‘Speed’. This was launched in the month of August 2003, and is now available in select outlets in Mumbai, Delhi, Pune, Chennai, Bangalore and Kerala with a monthly sale of 1000 KL. BPC is the market leader in this category too. The fastest Indian, Narain Karthikeyan has agreed to be the brand ambassador for ‘Speed’.

BPC has also increased its market share in HSD by 1% registering a 2.1% growth. HSD sales during the year were 8.09 MMT. It is pertinent to note that in the HSD segment BPC registered a higher percentage growth than its peers. BPC also sold 1.51 MMT of SKO (PDS) which accounted for 99.25% of the allocation.

The MS growth was subdued during the year as a result of a number of factors. To start with, BPC had a major market share in the metro markets. The increase in the CNG sales in Delhi and Mumbai markets, partially through BPC outlets, has affected the MS sales of BPC more than the industry. BPC also lost sales of certain high selling sites to the Metro Rail project in Delhi. As a result, the growth in MS sales was lower for BPC than the industry growth. However, with the establishment of new outlets, BPC is sure, not only to regain lost ground, but also plans to increase its market share.

BPC continues to be committed to the promise of supplying right quantity and assured quality fuels to the customers. The 'Pure for Sure' (PFS) programme, which featured this concept for the first time, has been a landmark in the oil industry in India. During 2003-04, a further consolidation was achieved on this initiative through enrolling a further 764 outlets. 2653 outlets representing 48% of the network are now certified PFS. The volumes handled in PFS outlets are even higher and three litres out of every five sold through a BPC outlet are sold from a PFS outlet.

The next step in the PFS programme is commencement of PFS audits at supply locations, with a view to strengthening the backend systems, pertaining to Quality and Quantity (Q & Q). This audit, carried out by an independent third party M/s TUV - Suddeutschland India, would ensure that all the MS and HSD leaving the BPC supply locations would be PFS quality. It is proposed to cover all supply locations in a short span of one year and as of date, one location - Trivandrum, has been certified, and seven other locations have been audited.

The third step in guaranteeing the quantity and quality is to bring even the non-PFS outlets under the large scale sampling and third party audit. The PFS programme, which is voluntary and would cover approximately 80% of the volumes in the medium term, would leave certain outlets uncovered. These non-PFS outlets would also be sampled and certified by an independent third party henceforth. We have done 29 such audits during 2003-04, and intend to cover the remaining non-PFS outlets during 2004-05.

Competition is now entering the retail sector in a big way. This year has been a year of intensified network expansion by all the players. The industry, as a whole, added about 3000 outlets during the year. BPC has also strengthened its network by commissioning 676 new retail outlets and 63 re-sitements taking the total number of new sites added to 739. Such a frenzy of activity is unprecedented and the new sites added have been a record so far. It must be emphasised that the new sites have been chosen very carefully, which is evident from the fact that the average throughput per outlet has remained above the 200 KL mark only for BPC. The network would be further strengthened during the next year.

BPC has also been very active in the field of alternate gas fuels for automobile consumption. Although these fuels today represent a small percentage of the total automotive fuels, BPC recognises the potential and is preparing itself to embrace the same. During 2003-04, 44 new CNG stations were added. BPC has excelled in the industry with a 294% growth in CNG sales, increasing its share amongst the PSU oil marketing companies to 48%. Auto LPG is now available at 26 retail outlets across the country. Auto LPG Sale for the year 2003-04 was 4039 MTs which is the highest in the Industry.

In addition to strengthening of the network, BPC has always been focussing on the softer issues involved in customer retention. The loyalty programmes, 'Petro Card' and 'SmartFleet Card' would be a backbone of the company's customer retention strategies. During 2003-04, in addition to new enrolments under both the programmes the focus was also given to increased usage by the card-holders. The new enrolments of 'Petro Card' were 0.35 million taking the total number of cards to 1.35 million. Under the 'SmartFleet' programme, 50000 trucks have been additionally enrolled, taking the total number to 0.43 million. During the year, a variant of the 'Smart Fleet' Card targeting corporate houses called 'SmartFleet Corporate' was launched. The main success factor during 2003-04 was however the increase in the fuel and allied purchases through these cards. During 2002-03 BPC had achieved a turnover of Rs. 19,500 million which increased by Rs. 15,000 million to reach Rs. 34,500 million during 2003-04. The increase in turnover was nearly 80%. It is proposed to target a similar increase in turnover during the next year as well taking the total turnover paid through loyalty programmes to Rs. 50,000 million. These facts highlight the faith being reposed by the loyal customers on BPC and success of the initiatives taken by BPC over the years.

BPC recognises that with the strengthening of the highway network, the demand of HSD is likely to increase. Further, with availability of land for putting up new outlets, the next battleground for competition would be the highways. BPC has put up the 'One Stop Truck Shops' under the 'GHAR' (home) brand to equip itself for these battles. During 2003-04 18 new 'GHAR' outlets were commissioned, taking the total number of homes to 60. These outlets give a sense of belonging and care

for the driver community and truly reflect the meaning of the brand - ‘Home away from Home’. The average fuel sales at ‘GHAR’ outlets has increased during the year by 18% from 828 per KL in April 2003 to 972 KL during the month of March 2004. The latest value added service to be added to ‘GHAR’ branded outlets is the Health advisory services by name ‘Sanjivanee’. It is a telemedicine proposition in association with TCS and KOVAI Medical Centre, Coimbatore. In the first phase, it will be in operation at 26 of the ‘GHAR’ outlets. It is expected that in the years to come these new ‘GHARs’ would be high turnover centres for BPC.

Convenience retailing has also been gaining ground. During the year, 145 new ‘In & Out’ stores were commissioned taking the total number of stores to 234. Total annual turnover of the ‘In and Out’ stores is now Rs. 300 million which is growth of 114% over last year. ‘In and Out’ stores currently contribute to about Rs.37 million i.e.12% of their turnover to the company’s income.

During the year, in line with Government policies, BPC has introduced Ethanol blended MS in the notified areas. The green liquid fuels are now available in 13 major cities including all metros. The storage capacity has been enhanced to 3.42 million KL with addition of 124 TKL at Manglia and 10 TKL at Navegaon. Panki TOP is under construction and would be commissioned by end December 2004.

Thus, BPC is fully geared up to meet the challenges in the times ahead. Aggressive strategies have been formulated under various possible scenarios in order to ensure market leadership on all fronts of the retail business.

Director (F) and Director (M) with our Speed Brand Ambassador, Narain Karthikeyan.

Facilities for the physically challenged abound at BPC’s In & Out store.

I & C

During the financial year 2003-04, the I&C business was focussed more towards consolidating its position in the market place. Although the sales volume was slightly lower at 5.27 MMT as compared to 5.30 MMT, the gross margins have increased from Rs. 850 per MT to Rs. 950 per MT.

BPC's entry in Gas marketing was the major highlight of the I&C business during the year. BPC has a 10% share of the LNG being brought into the country by Petronet LNG Limited (PLL). The company has signed a long term agreement for 25 years covering purchase of re-gassified LNG (R-LNG) ex-Dahej LNG Terminal. The first year's availability of 0.84 MMSCMD has already been sold to M/s. Essar Steel Limited and M/s. Gujarat State Petroleum Corporation Limited by signing Gas Sale Agreements. Agreements with customers are being tied up for the balance quantity of 0.91 MMSCMD, which will be available from the second year onwards.

Apart from the PLL plant at Dahej, BPC has also participated in a number of other tenders in the LNG field and the response from the customers has been found to be encouraging. BPC is currently looking at projects in the western and southern part of India, particularly at Mangalore and Kochi. LNG would be available in the bouquet of industrial products to BPC customers in the days to come. Most of the new projects would be taken up as a joint venture with other interested parties.

Customers' requirements have been a major focus for I&C SBU. During the year a number of new facilities have been added to take care of product assurance. This would also help in reaching product to various parts of the country from our refineries at Mumbai, Kochi and Assam in a cost effective way for the customers. A number of new large volume customers have been added to the clientele list during the year. This includes customers like NALCO and TRANSOCEAN. BPC also commissioned a Railway Commercial Depot (RCD) at Castle Rock and 25 HSD consumer pumps during the year 2003-04.

BPC was the first company to introduce a B2B website for industrial customers. BPC's successful B2B portal http://ebiz.bpc.co.in has grown in popularity with registered users visiting the site more frequently. The entire business cycle of order, track and pay is now possible online. Based on the recommendations of an exhaustive nation-wide customer survey, this portal was recently revamped, with provision of an online tutorial and with a new attractive look and feel.

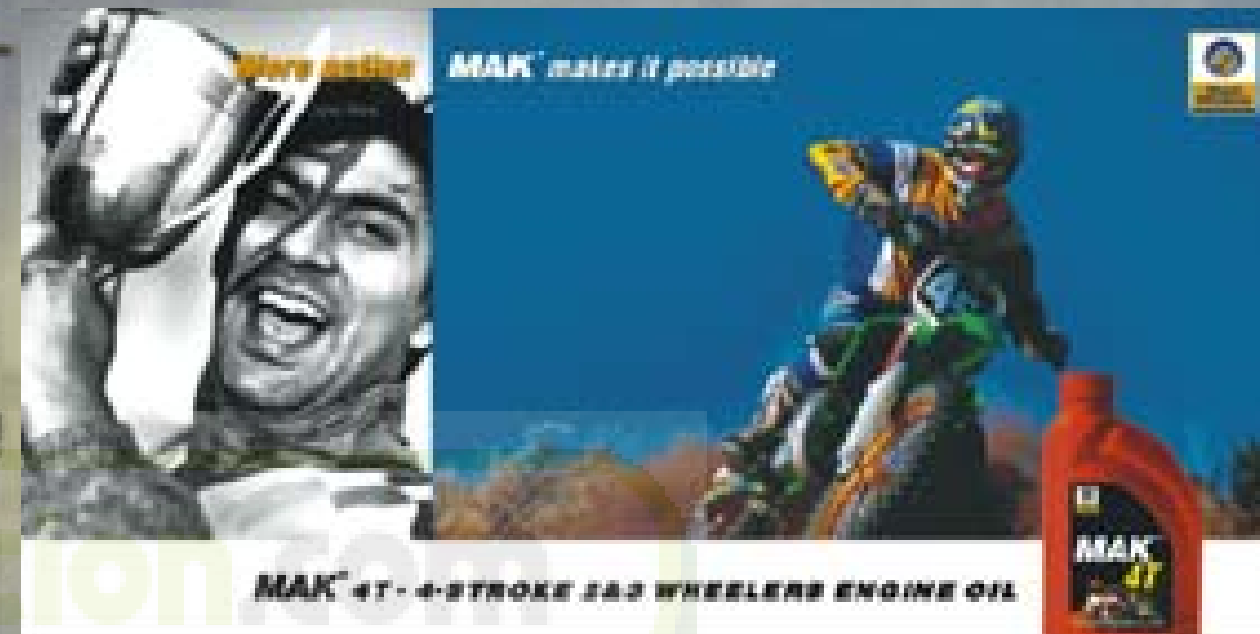
BPC has further progressed in the journey of e-banking, by inducting new banks onto the platform. Currently, e-banking transactions average Rs. 1,000 million per month. With more and more customers now showing interest in transacting through e-banking, there are ambitious plans to double the volumes, both in terms of number of customers and value of transactions.

As a part of our ongoing initiative for increasing growth and building greater brand awareness, BPC has launched the sale of packed Mineral Turpentine Oil (MTO) in 1 and 5 litre packs under the brand name 'Turpace'. The pilot marketing has commenced in Mumbai and Thane markets and the customer response has been very positive. It is proposed to launch sale of Turpace to other cities/towns in a phased manner.

The I&C SBU is thus ready to meet the needs of the customers for a number of years to come. By adding Gas to the products offered, BPC has once again shown customers that it would offer them the latest available products, technologies and allied services.

M/s. KSEB, Nallalam.

LUBRICANTS



Lubricants
The year 2003-04 was one of the most challenging for the lubricants industry due to spiralling base oil prices, aggressive and increased presence of low quality products and conversion to CNG. Even under these conditions, the Lubricants SBU performed well and increased the market share by 0.2% amongst the PSU players.

Amongst the different segments BPC has recorded a positive growth in the reseller segment mainly due to a considerable growth in the bazaar channel. Direct and institutional sales have also seen higher growth. BPC's market share increased in core sectors like Railways, Defence, Coal and Steel and during the year, some major customers were added to the portfolio in the natural gas, power, sugar and road transport industries.

A number of initiatives were taken up to retain and increase the market share. To start with, the sales network was expanded during the year by appointing additional Primary Lube Distributors and by adding a large number of multi product counters to the existing network. Channel Finance for retail outlet dealers was strengthened by implementing Co Branded Cards with ICICI leading to online validity of creditworthiness and credit availability of the customer as well as faster flow of funds.

The Genuine Oil tie-up for the 4 stroke engine oil '4T Plus' with M/s. Hero Honda Motors Ltd., the world market leader in its category, was one of the major breakthroughs during the year. This tie-up will help BPC to carve out a major market share in future in the growing segment of 4 stroke engine two wheelers.

In an endeavour to expand export operations during the year, entry was made in one more additional country i.e. UAE in addition to continuation of operations in Bangladesh and Nepal. An MOU has been signed with a major petroleum retailing company in Africa for entering into East African countries during next year.

BPC has always been experimenting to cater to the differential needs of the customers. During the year, 15 new products were developed and 12 original equipment manufacturers' (OEM) approvals were obtained. Taking advantage of different additives available in the market and in order to save on costs, 10 alternate formulations were also developed. BPC is also very conscious of the quality of products reaching the customers and in order to ensure the same, Quality Control (QC) Labs were commissioned at 12 new locations.

The new blending facility at Tondiarpet was commissioned during the year, which will ensure timely availability of lubricants to customers in south India. It would also improve efficiency and help reducing costs for the Corporation. Blending automation in this plant is expected to be completed in the first quarter of next year. During the year, ISO 9001- 2000 Certification was obtained for Budge Budge and Shakurbasti Plants.

After the launch of the 'MAK' Umbrella brand last year, the major challenge this year was to establish the new lubricants brand and achieve a major mind share of the consumer. BPC's strategy of establishing this new brand and the execution of its plan succeeded very well. The results of a recent brand tracking survey conducted by M/s. TNS Mode reveals a position for 'MAK' among the three top popular brands in lubricants in the country. This is a significant achievement considering that the umbrella brand was launched just a year ago.

BPC is poised to make great strides in the lubricants sector. The improvements in the last two years, like establishment of a new promising brand, new product formulations, better manufacturing facilities and improved distribution channels coupled with the upcoming LOBS plant at the Refinery would give it the required strength to increase its market share further.

Lube Shoppe at Bangalore.

LPG

During the year 2003-04, the LPG Business Unit achieved total sales of 2329 TMT, registering a growth of 14.67 % over the previous year. The industry growth during 2003-04 was 11.63 %. BPC's growth in LPG has been the highest amongst the Industry. Its market share stood at 25.8 % with an increase of 0.5% over the last year.

BPC has recorded the highest ever enrolment of 2.68 million new customers taking the total customer population to 19.4 million during 2003-04. The distributorship network has been further expanded with the commissioning of 94 new LPG distributorships during the year taking the total number of distributorships to 1922.

As at end 2003-04, the total bottling capacity of BPC stood at 1704 TMTPA. During the year, the LPG filling at bottling plants was 1911 TMT representing capacity utilization of 112%. BPC also commissioned two new bottling plants at Hazira and Pune with bottling capacities of 44 TMTPA each. BPC's share of bottling capacity now stands at 25.60% amongst the PSUs. The bottling capacity would further increase with the commissioning of three new bottling plants at Vijayawada, Rajkot and Bangalore during 2004-05.

BPC has been a trendsetter in taking various initiatives to ensure comfort, convenience and reliable service to 'Bharatgas' customers. All customers can now book their refills round the clock at all distributorships on all the days of the week with delivery of refills within 24 hours or at the customer's convenience. Customer Service Standards have been further enhanced at LPG distributorships and they are operating on all days of the week including Sundays and holidays. The working hours of distributorships have been extended to 12 hours a day for the convenience of customers. Extensive training for better handling of customer interface through behavioural training was imparted to a large number of distributors and their staff including the newly inducted ones.

The online LPG booking facilities through our portal www.ebharatgas.com have now been extended to 75 towns/cities covering 7.2 million Bharatgas customers. In addition, the common telephone number facility 1712 for refill bookings, complaint logging and new connection request has been extended to 9 cities. 46 Customer Relation Centres are operational all over the country to provide clarification / assistance on all LPG related matters to the customers.

BPC's experience is that most of the accidents in the customers' houses are due to leaking tubes. To upgrade customers' safety, Bharatgas customers are being provided with rodent resistant steel-braided LPG hoses, branded as 'Suraksha' hoses. During the year, 0.6 million customers were supplied with Suraksha hoses and BPC plans to cover all customers in the coming years in a phased manner.

BPC was the first to introduce portable weighing scales to be carried by the deliverymen to demonstrate the correct weight of cylinder to customers. About 10,000 scales have been introduced in various markets across the country. This initiative has helped in fulfilling the brand promise in a structured manner, having an effective feedback and monitoring mechanism for continuous improvement.

C&MD, BPC inaugurates an LPG bottling plant at Pune.

In an effort to provide 'value added services' to Bharatgas customers, the LPG Business Unit took up a new initiative during the year for providing household and kitchen items like pressure cookers, non-stick cookwares of reputed brands like Prestige, Hawkins, Nirlep etc. through its channel at very attractive discounts and exchange offers. LPG fuelled equipments like Honda Gensets & Racold Geysers have also been introduced through our distributorship channel at attractive prices. This has been well received both by the channel and the customers. This business is having considerable potential and would be a focus area for the LPG business.

A new in-house designed software package named 'Distributor Monitoring Package' has been developed with the objective of monitoring the brand promise on deliveries, cylinder deposits and equipments at the distributorship. This package has been installed at all the distributorships and it helps in viewing the daily deliveries effected, new connection releases and the inventory of cylinders held by the distributors. Such an initiative would further ensure timely and effective service to our valued customers.

In its continuing efforts to improve delivery systems to the consumer, BPC has been aggressively promoting the LPG Reticulated System for domestic use in urban markets. Reticulated LPG is a value-addition to the customers with a view to enhance safety, loyalty and uninterrupted supply of gas to households. Towards this end, the LPG

Business Unit has successfully installed the Reticulated LPG system in various flats / co-operative houses at Mumbai, Noida, Chennai, Hyderabad, Pune, Madurai, Pondicherry, Coimbatore and Kolkata covering 2,303 flats and work is under progress in another 10,500 flats. A dedicated team has been formed to take this initiative on a larger scale. An aggressive strategy is being adopted by BPC to gain more entry in this segment.

To provide LPG to the rural - hilly population at an affordable price, 5 kg cylinders have been introduced in rural markets in 19 states in India. 28,145 new customers were enrolled during the year having 5 kg connections consuming a total of 1436 MTs during the year.

Safety of consumers, quality and productivity will continue to be the focus areas and BPC continues to excel in these areas. During the year 2003-04, BPC was awarded the prestigious Oil Industry Safety Directorate (OISD) award for the overall safety performance of LPG bottling plants in the country.

In the years to come, BPC would be focussing on increasing its LPG customer base and providing additional services to its customers.

Sale of ‘Beyond LPG’ products is in full swing.

‘Rasoi Ki Rani’ delights the rural customers.

AVIATION

AVIATION

During the year 2003-04, the Aviation Business Unit sold 560 TMT of ATF. This volume represents a growth of 9.25% over the previous year which has been the highest ATF sales during any year. This achievement was despite the fact that the year saw major turbulence in the aviation industry with many customers switching suppliers. BPC's commitment and dedication towards customer service is unparalleled in the industry, which helped in this achievement in a major way.

During the year, BPC was awarded business by South African Airways, Air 2000, Air Holland, Aerofuels, Finnair, Aerosvit Airlines, Gulf Air at Bangalore, Lufthansa at Hyderabad, Trivandrum and Goa and Kenya Airways at Mumbai.

BPC continues the Commercial and Technical agreement with Shell Aviation. This was beneficial for training personnel and to benchmark facilities with Shell facilities and international standards. The volume attained in cooperation with Shell had grown by 107% compared to last year.

The Aviation B2B site was launched during the year and all major international customers have been enrolled. The Aviation SBU is in the process of extending Electronic Data Interchange (EDI) for major customers, which will reduce paperwork completely. Already electronic data transfer is in use for Finnair, one of the major customers, which is working successfully.

BPC customers are privy to a Quarterly Bulletin of Aviation Business Unit about the current trends and changes taking place in the oil industry and the aviation industry in India. This has been very much appreciated by them.

In the recently published Survey report on World's Best Jet Fuel Marketers by Armbrust Aviation Group, BPC Aviation was once again ranked the best in India. In all, the survey covered 78 world airlines and 70 fuellers of the world representing combined total fuel consumption of 67% of the total ATF volume.

Worldwide, BPC has been ranked at the 33rd position, an improvement over the 34th position as per the last survey. This ranking gives BPC the top position amongst the fuellers of our country

BPC Aviation is also the winner of the 'Golden Peacock Innovative Product/Service Award 2003' in the Petroleum Sector.

With the advent of additional competition, the aviation fuelling business has become very volatile. The margins in this business are likely to be under pressure over a period as the competition grows further. In the long run, BPC believes that customer service would be a key differentiator for retaining airlines. Measures like upgrading of AFS facilities and operational convenience through electronic operations would go a long way in retaining customers.

South African Airways being refuelled by BPC.

HUMAN RESOURCES

BPC had 12,434 employees on its roll as on 1st April 2004. BPC has always believed that its greatest assets are its human resources. All the new initiatives, innovations and exemplary performances come only because of the very highly valued people who work in the organization.

Employee retention in today's competitive environment has been a major challenge for all the PSU companies. The typical pay structure in a PSU does not differentiate between performers and non-performers. BPC, recognizing this fact and with an intention of introducing Variable Pay Component in its pay structure, introduced a Performance Related Incentive Scheme for management staff during 2003-04. The Scheme takes into account achievement at three levels viz. the Corporate, the SBU and the individual, which determines a performance linked payment for its management staff. Stretched target is one of the key elements of the Scheme, which enable improved corporate performance. BPCL is the first Oil Sector PSU to introduce and implement such a detailed Scheme.

As indicated in the previous year, mission critical jobs in the Corporation like SBU Head, Entity Head, Regional Manager, Territory Manager and Sales Officer have been studied in depth to evolve competencies for these positions. The same has been cascaded to other allied and analogous jobs. The next stage in this frontline HR initiative is the process of profiling individuals and identifying competency gaps for developmental purposes. This would be achieved by creating a Development Centre, which is underway.

Arising from the Competency Model process, the Company has also undertaken a landmark study on developing a new ethos on corporate leadership in India jointly with the Public Enterprises Selection Board. The study aims at determining characteristic competencies required of successful Indian CEOs. The results of this study and the new model are expected to be launched sometime in 2004 as BPC's contribution to management research in the country. The innovative in-house 'Ideas Platform' created in the year 2000 for promoting, nurturing and recognizing creative and innovative work by the employees is on its onward march, generating an enthusiastic response from employees all across the Company. It retains its vibrancy by the large number of entries numbering nearly 226 received from employees, of which 21 best entries in different categories were awarded prizes last year.

BPC's commitment of building a competent and capable workforce continues unabated and during the year

Director (HR) and Director (F) are presented with the Best Employers Award.

3,199 employees were trained and given inputs on both functional and managerial programmes. The Juhu Training Centre of the Corporation, which was the nurturing ground for initiatives like Project CUSECS and ERP initiatives, has now been rechristened as the Bharat Petroleum Learning Centre. It is our fond hope that this would become a centre of great learning and knowledge for our employees to partake of.

During the year, to give thrust to our commitment for learning not only amongst our employees but also amongst the youth of today, we launched the 'BPC Scholarship Scheme for Higher Studies'. The Scheme enables deserving students who demonstrate all-round brilliance, seek financial support for their higher studies in well-known Institutions in India and abroad. During the year, 29 students were awarded scholarships worth Rs. 4.2 million. This will be an annual ongoing feature.

As part of a cost reduction measure, BPC introduced a Voluntary Retirement Scheme during the beginning of 2004-05. Under the Scheme, 429 employees have been granted voluntary retirement and compensation to the tune of nearly Rs. 400 million has been paid out.

Social welfare has been an area of prime concern for BPC. During the year, the Corporation provided financial and material support for the welfare activities undertaken by various institutes. Prominent amongst them were contributions to The Tata Institute of Social Sciences, for rehabilitation of the destitute and imprisoned women, under project 'Prayas', The National Association of the Disabled' Enterprises in their activities to help the cause of the disabled and 'Maitree', an organization helping the cause of the differently challenged children. BPC also contributed to SOS Children's Villages of India, The

Panchayat Union Primary School at Athur village in the Karur District of Tamil Nadu and The Home for the Aged in Chennai, for promoting rainwater harvesting.

Under the Component Plan, welfare projects were given fresh impetus in the villages of Jyotinagar, near Desur in Karnataka, Kadambankularm in Tamil Nadu and Uttargoalpara in West Bengal, adopted by the Corporation. Similarly, projects in the villages of Kasabkhede-Pohey in Maharashtra and Manjripal Pedawada, in Chhatisgarh are being revived. The Corporation is in the process of adopting the villages of Kaprada in Gujarat and Sandhamara in Orissa.

BPC was awarded several awards on the HR front. Hewitt Associates placed BPC as one of the 25 best employers in India. M/s Grow Talent Co. Ltd., in association with Great Place to Work Institute Inc. of the US announced that BPC is a 'Great Place to Work'. BPC's dedicated manpower is now more prepared to face the challenges in the years to come.

INTEGRATED INFORMATION SYSTEMS

BPC has always been ahead in the field of harnessing the power of information technology for the purpose of better management and serving the customers. Year 2003-04 was another action packed year for BPC's Integrated Information Systems (IIS) group.

BPC has one of the biggest Enterprise Resource Planning (ERP) system SAP R/3 platform. Last year, a project was undertaken to upgrade the same to the latest 'Enterprise' version of SAP to provide additional new features which are required in the present market conditions. This project is expected to be completed by August 2004 as per schedule.

BPC continues to be an active member of the Global Industry Advisory Committee (GIAC) of SAP. To resolve all the issues of end-users of SAP, a Solution Manager Tool with database has been implemented.

Implementation of SAP has brought the business online. The establishment of a reliable support system of a data centre and connectivity was necessary for continuation of business under this environment. Last year, a state-of-the-art level 3 Data Centre at Greater Noida was established for uninterrupted (24×7) operations. To cater to ever increasing demand of reliable and higher bandwidth, a Ku Band VSAT Hub has been setup at Greater Noida and commissioned at all remote locations. Data security is also on high priority for BPC and a policy document has been prepared to ensure the security and integrity of information, which would be implemented across the organization.

The Coimbatore LPG Team wins Chairman's Best Idea of the Year Award at the Ideas-2003 Contest.

Director (Marketing) receives the Golden Peacock Innovative Product/Service Award 2003 in the petroleum sector.

BPC has also developed and implemented new software for enhancing the facilities available to the customers. These include a software for e-banking and another one for the Value Added Services provided through distributors. A major project, Enterprise Application Integration (EAI) through IBM's middleware product Websphere Business Integrator (WBI), was implemented during the year 2003-04. EAI is used to seamlessly integrate all Business critical systems like SAP R/3, Refinery's MES, e-commerce, e-Banking, Petrocard, Employee Self Service, B2B integrations etc. BPC is one of the very few organisations to have implemented EAI in the country.

In recognition of these efforts, BPC has received various prestigious awards. BPC was one of the 'CIO 100 Honourees' for 2004 for achieving excellence in strategic

enterprise IT deployment. The 'IT User Award 2003' in the Energy & Utilities sector, which was instituted by NASSCOM and economictimes.com, was also presented to BPC.

HEALTH SAFETY AND ENVIRONMENT

The Company accords the highest priority to health, safety and environment (HSE) issues. In order to continually upgrade HSE practices, the Company had revisited the existing HSE Policy and introduced a Revised HSE Policy to synchronise with its corporate vision, for the organisation and its subsidiaries. The significant feature of this policy is introduction of a compliance process on 'Assurance' in respect of implementation of the policy by all employees.

Safety awareness amongst employees, contractors and their employees and customers is continually being enhanced by organising various safety training programmes / workshops. The HSE web was extensively used by employees for reporting accidents online and sharing information on safety.

During the year, BPC had taken a number of initiatives in order to promote safety and eco-friendly measures. Use of seat belts has been made compulsory, not only for company employees, but also for contracted tank truck and tank lorry crew while driving. At all locations, POL sludge is being treated through bio-remediation methods using 'oil zapper' bacteria developed by The Energy Research Institute (TERI), which hitherto used to be undertaken through burial process. Plastics are a major environmental hazard and to reduce the threat, used empty PVC lubricant pouches are being recycled. BPC has also taken substantial measures in reducing emission of hydrocarbon pollutants in the air by introduction of eco-friendly fuels such as unleaded petrol, low sulphur diesel, Speed, etc. and installation of vapour recovery systems at some of the retail outlets.

The Corporation's efforts have been recognised through various awards during the year. The Refinery received a safety award from M/s. National Safety Council of India. 12 of the Marketing locations have also received safety awards from National Safety Council of India. One location has received a safety award from the Orissa State Government. On the environmental side, BPC was awarded the Golden Peacock Award for introducing 'Speed' as an eco-friendly fuel during 2003-04.

Safety of consumers and the public at large has always been an area of focus for BPC and hence, BPC continues to undertake exhaustive safety awareness campaigns during festivals and trade fairs at various locations all over the country.

Director (F) and the IIS Team with the Best IT User Award.

EXPORTS

With the surplus in domestic refining capacity, the export of certain products has been a necessary reality. During the year, BPC exported Naphtha and Fuel Oil. Total exports were 485.66 TMT with a realization of US $ 119.46 million i.e. Rs. 5,480 million. The product export market was developed by identifying key destinations and ensuring reliable sources of marketing Naphtha, Fuel Oil etc. As a result, the premiums on High Aromatic Naphtha were improved from US $ 1.78 last year to US $ 9.24 this year. The significant achievement has been the ability to improve the margins and bring in operational improvement in export handling. Total export of the BPC group including KRL was 970 TMT.

EXPLORATION AND PRODUCTION OF CRUDE OIL AND GAS

Entry into the field of Oil & Gas has become necessary for BPC in order to have reasonable supply security with the benefits of integrated supply chain and hedging of price risks. It has also become imperative that the company enters the gas business to maintain its energy share in the country especially in view of the recent trends to increase use of Natural Gas as an environment friendly fuel vis-à-vis liquid fuels. In order to give a major thrust to the Exploration and Production business, an allocation of Rs. 10 to Rs. 15 billion has been earmarked over the next five years, based on the opportunities available.

During the year under review, BPC has entered into this business with successful bidding under the NELP IV announced by the Government of India. BPC has been awarded three blocks which include two blocks in deep sea water, in the Krishna-Godavari and Mahanadi basins, in consortium with ONGC and Oil India Ltd. Further, BPC has also been successful in acquiring one on-land block in the Cauvery basin along with ONGC. The exploration work on these blocks have been initiated and it is estimated that the

total expenditure for BPC would be approximately Rs.1,580 million during this phase.

BPC also actively pursued entry into 'farming-in' ventures, to buy assets of the existing E&P companies. The decision on one of the bids made is awaited. Further efforts would be made in 'farming-in' opportunities as and when available.

BPC is also considering bidding for the offshore marginal fields being offered by ONGC in Indian waters. The extent of participation would be based on the merits of the proposal. BPC would also be considering participation in the next round of bidding under the NELP V which is likely to be announced by the Government of India, later this year.

The above-mentioned strategy and participation would help BPC to develop a balanced portfolio and hedge the risks associated with Exploration and Production activities.

NATURAL GAS DISTRIBUTION PROJECTS

CNG is fast becoming an alternative to liquid fuels in the metro markets. Considering its benefits to the environment, it is likely to be extended to other cities as well. BPC feels that it would be a major area for business expansion.

During 2003-04, BPC took a number of initiatives towards development of Natural Gas Distribution Projects, on the lines of our successful Joint Venture in IGL. Gas distribution projects for Pune district in Maharashtra and Kanpur district in Uttar Pradesh would be developed by entering into Joint Venture with GAIL (India) Limited. These projects are expected to start gas distribution to domestic, commercial, industrial and CNG for transport sector in 2005. The total investment in these projects is likely to be in the range of Rs. 9,000 million and BPC's exposure would be to the extent of share of equity of about Rs. 500 million.

BPC has obtained an NOC from the Gujarat Government for development of Gas Distribution Projects in the districts of Gandhinagar / Mehsana / Sabarkantha and is in the process of carrying out a Detailed Feasibility Study. Gas distribution is expected to start in 2005 in these districts. The project is likely to cost Rs. 3,000 million and is expected to generate an internal rate of return of 15%.

BPC will continue to focus on new gas distribution opportunities in other towns and cities in 2004-05, to enlarge its share in the growing Natural Gas Market in India.

OUTLOOK

The core fundamentals of the downstream oil stream sector are turning positive with accelerating demand growth and robust refining margins. The strong economic growth projected over the next two years, infrastructure upgrades, prudent regulation and structural demographic shift fuelling a surge in consumption expenditure, would push the overall oil consumption growth into the positive zone. The overall pick up in product demand growth due to a turnaround in diesel demand is seen as a sharp improvement in the business outlook. Given the above positive background, there is bright scope for the oil demand to post a healthy growth of 3.5% to 5% in the near future.

The Indian refineries have to undertake significant environmental capital expenditure to meet the new stringent quality norms that will come into force by 2005. Many such modernisation programmes are being undertaken combined with capacity de-bottlenecking which will increase refining capacities. The new capacity creation will be of the order of about 14 MMT by end fiscal 04-05.

India represents a nascent but large potential market for natural gas. The Government of India is promoting gas as the fuel of the future. In the absence of substantial availability of natural gas, imported LNG has been reckoned as the most viable alternative to fill the burgeoning gap between the indigenous supply and the existing and future demand.

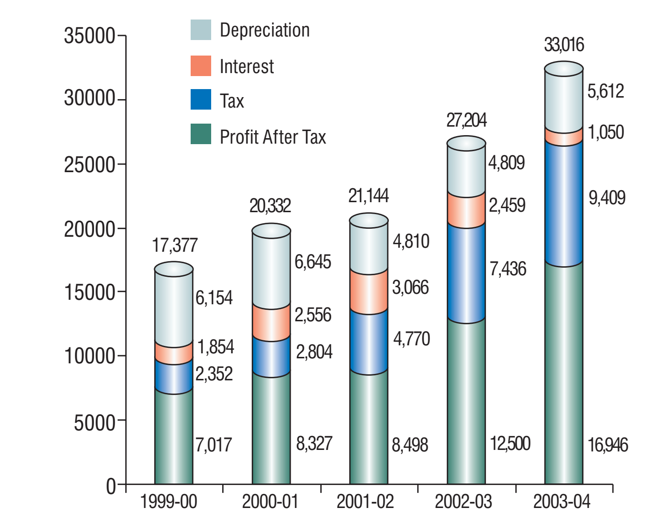
With the entry of other private players, the Indian oil sector market is set for intense competition.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

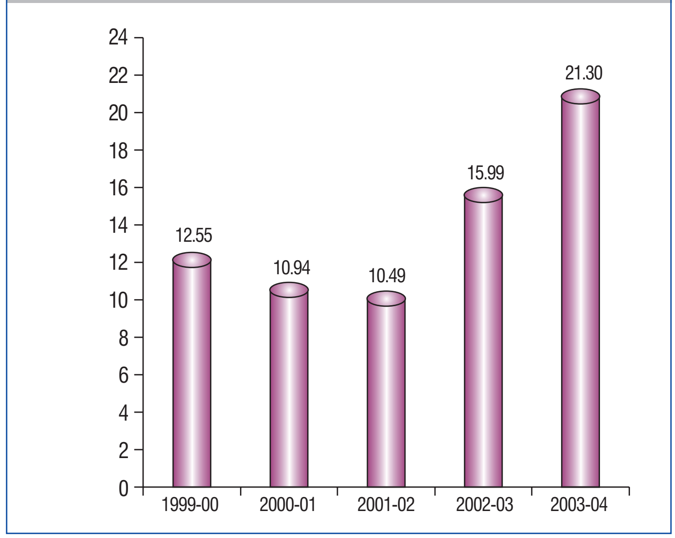
BPC has a system of internal controls to ensure optimum utilization and protection of resources, IT security, speedy and accurate reporting of financial transactions and compliance with applicable laws and regulations as also internal policies and procedures. For this purpose, the company has formulated a clearly defined organization structure, authority limits and internal guidelines, rules for all operating units and service entities. SAP R/3 and Business Information Warehouse (BIW) systems have further enhanced the internal control mechanism.

BPC has an internal audit department consisting of experts from various functions, which supplements the review of key business processes and controls through regular audits. Audit reports, significant risk area assessment and adequacy of internal controls are also periodically reviewed by the Audit Committee through meetings held with the management, internal audit and statutory auditors.

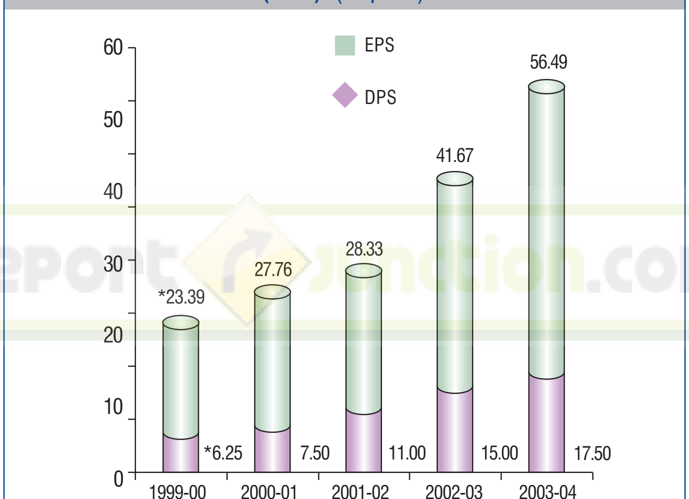
GROSS PROFIT (Rs. in Million)



RETURN ON CAPITAL EMPLOYED (Percentage)

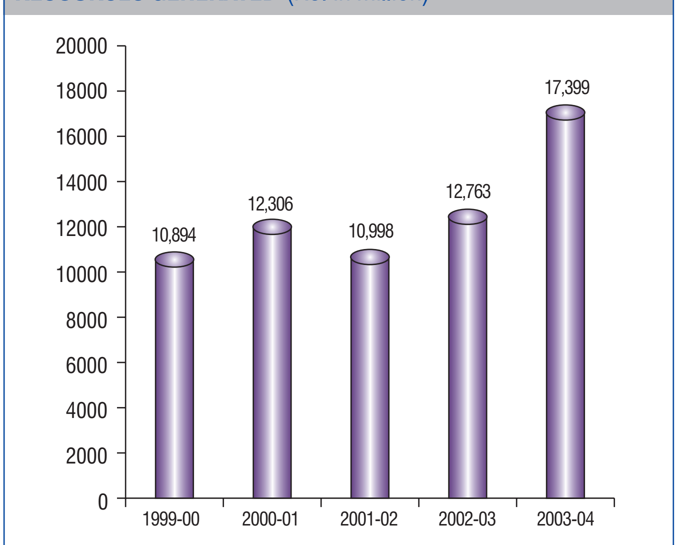


EARNINGS PER SHARE (EPS) / DIVIDEND PER SHARE (DPS) (Rupees)

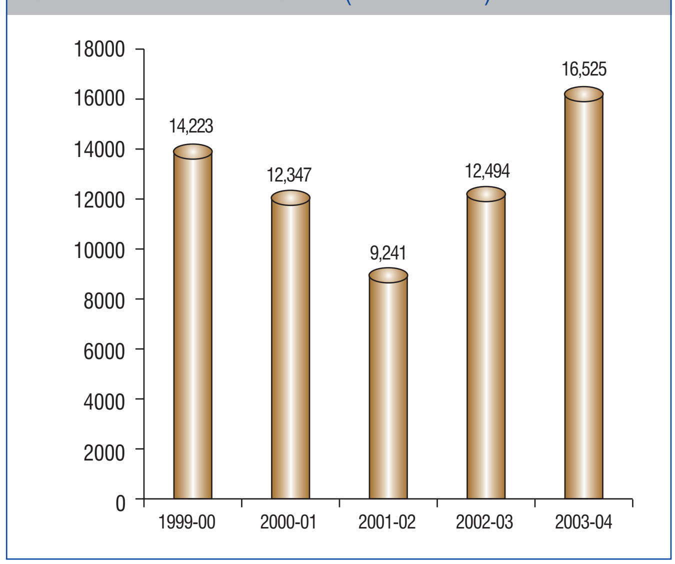


*On Post-Bonus Capital

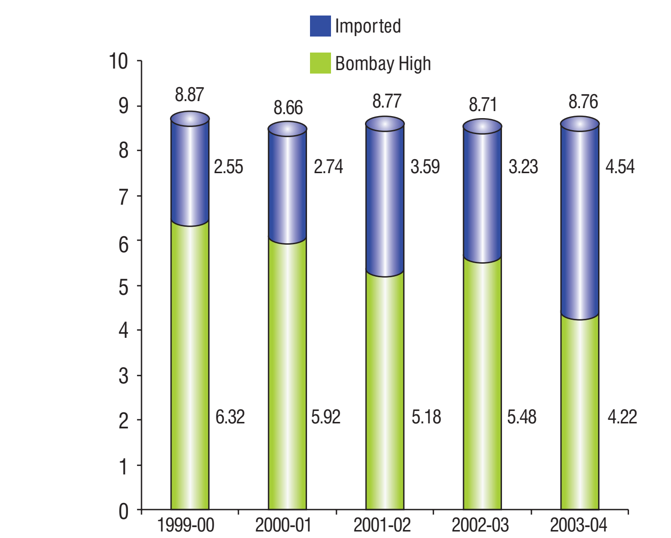
RESOURCES GENERATED (Rs. in Million)



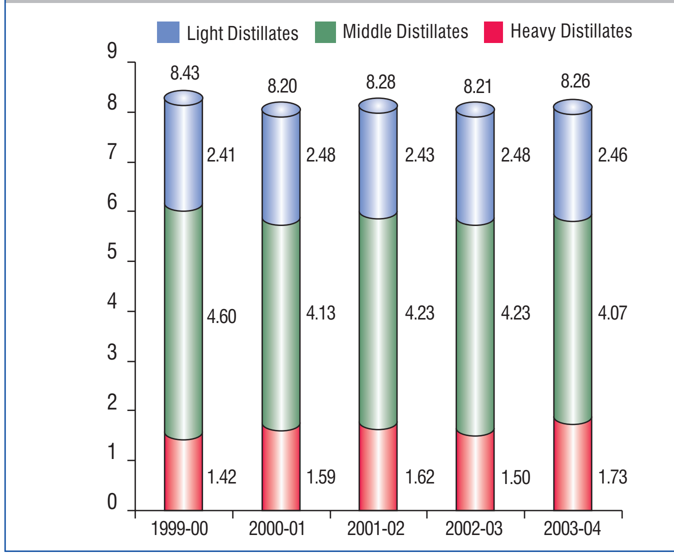
CAPITAL EXPENDITURE (Rs. in Million)



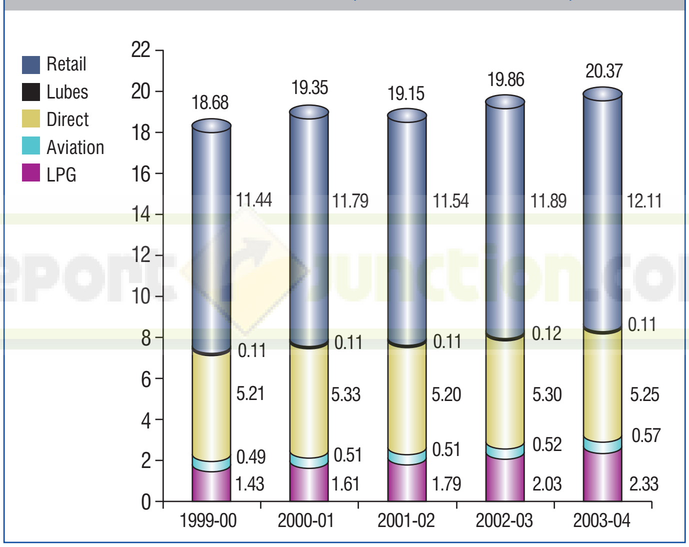
CRUDE PROCESSED (Million Metric Tonnes)



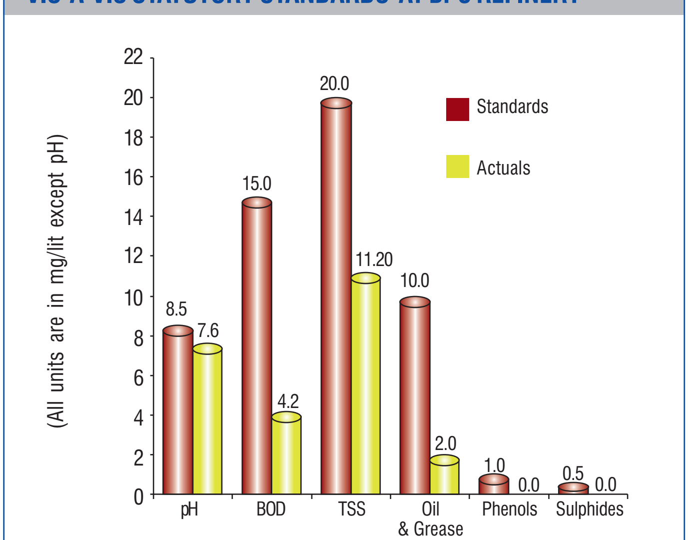
PRODUCTION (Million Metric Tonnes)



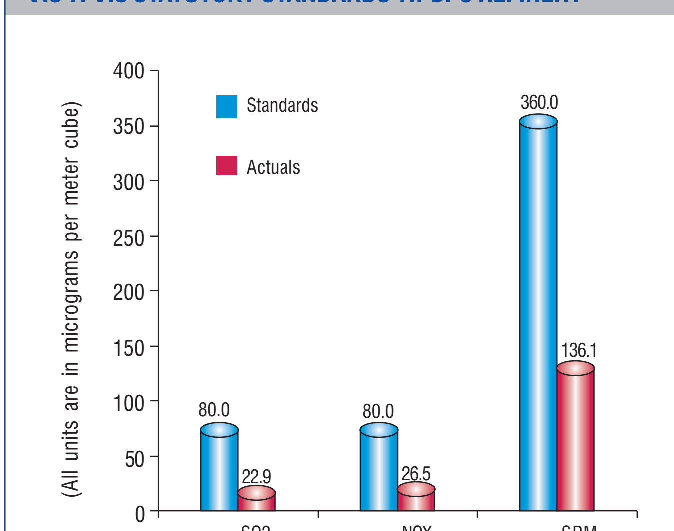
MARKET SALES VOLUME (Million Metric Tonnes)



TREATED EFFLUENT WATER QUALITY VIS-A-VIS STATUTORY STANDARDS AT BPC REFINERY



TYPICAL AMBIENT AIR QUALITY VIS-A-VIS STATUTORY STANDARDS AT BPC REFINERY



DIRECTORS' REPORT

The Directors are pleased to present their report on the performance of Bharat Petroleum Corporation Limited (BPC) for the year ended 31st March, 2004.

PERFORMANCE OVERVIEW

Group Performance

The BPC Group companies excelled in performance during 2003-04. The combined Refinery throughput at BPC's Refinery at Mumbai, Kochi Refineries Limited(KRL) and Numaligarh Refinery Limited (NRL) increased from 18.17 MMT during the last year to 18.81 MMT during the current year. Group market sales increased from 20.53 MMT to 20.95 MMT. In addition, the Group also exported 0.97 MMT of products giving a total export turnover of Rs. 9,783.71 million.

Financially, the Group companies achieved a sales turnover of Rs. 625.69 billion, up from the last year's level of Rs. 569.25 billion. Group profit after tax (PAT) increased from Rs. 18,224.40 million to Rs. 23,643.63 million. After setting off the minority interest, the Group earnings per share increased from Rs. 51.76 to Rs. 67.80.

C&MD BPC in discussion with Hon'ble Minister of Petroleum & Natural Gas, Shri Mani Shankar Aiyar.

CONSOLIDATED GROUP RESULTS

	2003-04	2002-03
Physical Performance		
Crude Throughput (MMT)	**18.81**	18.17
Market Sales (MMT)	**20.95**	20.53
Financial Performance		Rs. in Million
Sales / Income from Operations	**625,693.21**	569,252.62
Less: Excise Duty Paid	**(72,090.06)**	(65,482.31)
Net Sales / Income from Operations	**553,603.15**	503,770.31
Gross Profit	**49,150.76**	41,836.01
Interest	**2,576.66**	4,910.71
Depreciation	**8,244.55**	7,361.51
Profit before Tax	**38,329.55**	29,563.79
Provision for Taxation - Current	**11,807.55**	9,284.29
Profit after Current Tax	**26,522.00**	20,279.50
Provision for Taxation - Deferred	**2,173.28**	1,901.56
Excess/(Short) provision for Taxation in earlier years written back/provided for	**(705.09)**	(153.54)
Net Profit	**23,643.63**	18,224.40
Minority Interest	**3,304.63**	2,697.04
Net Income of the group attributable to BPC	**20,339.00**	15,527.36
Group Earnings per share attributable to BPC (Rs.)	**67.80**	51.76

Company Performance

BPC Refinery had a crude throughput of 8.76 MMT, which was marginally higher than 8.71 MMT achieved during the last year. BPC's domestic market sales increased from 19.86 MMT to 20.37 MMT registering 2.57% growth. The market share increased marginally from 22.03% to 22.07%.

Financially, BPC achieved 10.20% growth in sales turnover from Rs.485.02 billion to Rs. 534.48 billion. Gross profit before interest, depreciation and tax increased by 21.37% to Rs. 33,016.44 million. The profit before tax increased by 32.20 % from Rs. 19,935.37 million to Rs. 26,355.15 million. After providing for tax, (including deferred tax) of Rs. 9,409.47 million as against Rs. 7,435.09 million during the last year, the profit after tax showed an increase of 35.56% from Rs.12,500.28 million last year to Rs. 16,945.68 million.

FINANCIAL HIGHLIGHTS

Highlights of the financial results, as compared to those of the previous year, are as follows:

Rupees in Million

	2003-04	2002-03
Sales Turnover - Gross	**525,159.93**	472,378.29
Gross Profit before Depreciation, Interest and Tax	**33,016.44**	27,204.07
Interest	**1,049.72**	2,459.46
Depreciation	**5,611.57**	4,809.24
Profit before tax	**26,355.15**	19,935.37
Provision for taxation - Current	**8,526.00**	6,805.00
Provision for taxation - Deferred	**758.39**	476.59
Excess/ (Short) Tax provision in earlier years written back/provided for	**(125.08)**	(153.50)
Net Profit	**16,945.68**	12,500.28
Transfer to Debenture Redemption Reserve	**1,700.00**	2,070.00
Balance brought forward from the previous year	**0.01**	0.01
Amount available for disposal	**15,245.69**	10,430.29
The Directors propose to appropriate this amount as under :		
Towards Dividend:		
Interim Dividend (declared & paid) @ Rs. 6 per share	**1,800.00**	600.00
Final Dividend (proposed) @ Rs. 11.50 per share	**3,450.00**	3,900.00
Towards Corporate Dividend Tax	**672.66**	499.69
For transfer to General Reserve	**9,323.02**	5,430.59
Balance carried to Balance Sheet	**0.01**	0.01
Summarised Cash Flow Statement:		
Cash Flows:		
Inflow/(Outflow) from operations	**26,336.84**	24,330.35
Inflow/(Outflow) from investing activities	**(13,097.17)**	(8,704.49)
Inflow/(Outflow) from financing activities	**(11,900.61)**	(7,507.53)
Net increase/ (decrease) in cash & cash equivalents	**1,339.06**	8,118.33

The review of the accounts by the Comptroller and Auditor General of India (C&AG) under Section 619(4) of the Companies Act, 1956 is annexed as Annexure E. The C&AG has nil comments on the Accounts for the year ended 31st March 2004.

DIVIDEND

Your Directors are pleased to recommend for your approval a final dividend of 115% (Rs. 11.50 per share), on the paid up share capital of Rs. 3,000 million which will absorb Rs. 3,450 million. The total dividend for the year including interim dividend of 60% will absorb Rs. 5,250 million out of profit after tax. After providing Rs. 672.66 million for tax on distributed profits and Rs. 0.01 million carried forward to the Balance Sheet, Rs. 9,323.02 million will remain for transfer to the general reserve. Accordingly, BPC's net worth as on 31st March, 2004 would stand at Rs. 58,497.23 million, as compared to Rs. 47,474.28 million as at the end of the previous year.

Earnings per share is Rs. 56.49 as compared to Rs. 41.67 during 2002-03. Internal cash generation during the year was higher at Rs. 17,399.41 million as against Rs. 12,762.96 million last year. BPC contributed Rs. 140.86 billion to the exchequer by way of taxes and duties vis-à-vis Rs. 128.12 billion during the last financial year.

Borrowings from the banks reduced to Rs. 15,629.48 million from Rs. 17,445.05 million at the close of the previous year.

Public deposits as at 31st March, 2004 stood at Rs. 2,661.37 million as compared to Rs. 3,706.60 million at the end of the previous year. The amount of deposits, matured but unclaimed, at the end of the year was Rs. 31.54 million, which pertains to 168 depositors. The total Capital Expenditure during the year 2003-04 (including investment in Joint Venture Companies (JVCs) Rs. 987.44 million) amounted to Rs. 17,512.30 million.

REFINERY

BPC Refinery maintained consistent performance. It processed 8.76 MMT of crude during the year, which was marginally higher than 8.71 MMT achieved in the previous year. One major factor in the crude processing is a further drop in MH crude processing from 5.48 MMT in the previous year to 4.13 MMT. The Gross Margin per ton of crude processed increased to Rs.1601 per MT from Rs.1350 per MT in the previous year. This translates to US $ 4.64 per barrel as against US $ 3.71 per barrel during 2002-03. The higher margin was achieved by maximizing value added products like ATF, LPG etc. selection of right crude mix and favourable products/crude oil price differential. The details of refinery performance, activities and future plans are discussed further in the Management Discussion and Analysis (MD&A) Report.

MARKETING

BPC continued to consolidate its position on the marketing side with sales of 20.37 MMT in the domestic market increasing the market share marginally from 22.03% to 22.07%. The sales were dominated once again by the Retail SBU, which accounted for nearly 60% of the total sales. LPG sales showed a smart growth and accounted for 11.5% of total sales. BPC's major domination in the metro markets was clear from the increase in CNG sales. BPC was the market leader in the CNG segment as well. On the industrial side, Naphtha sales grew by about 10%. BPC also exported 0.49 MMT of products from Mumbai Refinery which included Naphtha and Furnace Oil. The marketing performance has been discussed in detail in the MD&A Report.

Strategising for the future.

PROJECTS

Central India Refinery Project

In December 1995, Government of India approved the Central India Refinery Project which envisages setting up of a 6 MMTPA capacity grassroots Refinery at Bina, in Madhya Pradesh, alongwith crude oil supply facilities consisting of a Single Point Mooring (SPM) system, Crude Oil Terminal (COT) at Vadinar in Gujarat, and a 935 km long cross country crude oil pipeline from Vadinar to Bina by a JVC viz. Bharat Oman Refineries Limited (BORL). The revised project cost duly approved by the Government of India is Rs. 63,540 million (at September 2001 prices) including a foreign exchange component of Rs. 20,250 million.

The implementation of the project has been delayed due to environmental clearances from the Government of Gujarat, which have since been received. One of the promoters, M/s. Oman Oil Company Limited, has decided to limit its equity contribution to the present level of Rs. 755 million. In view of this, Government of India has granted approval to BPC for enhancing its equity contribution upto 50% in BORL.

All Special Leave Petitions (SLPs) which were pending in the Hon'ble Supreme Court relating to the Government of Gujarat's clearance to BORL under the Wild Life Protection Act (WLPA), have been disposed off vide the Hon'ble Court's order on 19th January, 2004 in favour of the Company.

However, due to considerable lapse of time, significant changes have occurred in the demand / supply scenario for petroleum products in the country and also in the product specifications based on the Mashelkar Committee's report. In view of the changes in the quantity and quality of product requirements, a review of the Bina Refinery's process configuration is being undertaken, which will be followed by preparation of a revised cost estimate and evaluation of the profitability of the project.

On the project front, during the year, a sea bed engineering survey and marine geo-technical investigations along the route of the crude oil pipeline from SPM to COT have been completed.

Uttar Pradesh Refinery Project

To cater to its long-term product requirements, BPC has envisaged a 7 MMTPA capacity grassroots Refinery at Lohagara in Allahabad District of Uttar Pradesh. Estimated cost of the project, including the related infrastructure and sharing of crude import and transportation facilities, amounts to Rs. 61,800 million. The crude oil import facilities being set up by BORL at Vadinar for the Bina Refinery project will be augmented suitably to take care of the crude requirement of this Refinery also.

Approval has been received for diversion of 450 acres of forestland for the Refinery. Acquisition of balance portion of land for the Refinery and township is under progress. The environmental clearances for the Refinery, power plant and extension of crude oil pipeline from Bina to Lohagara have been received.

Refinery Modernization Project

In order to upgrade the Mumbai Refinery for producing environment-friendly products in line with future specifications and also for reducing source emissions (SO_2) from the Refinery, the Refinery Modernization Project (RMP), with approved cost of Rs. 18,310 million, is being implemented. This Project, besides improving distillate yield and energy efficiency of the main process, will enhance the crude oil processing capacity to 12 MMTPA. The project is expected to be commissioned by December 2004.

Production of High Quality Lube Oil Base Stock (LOBS) at Mumbai Refinery

The project envisages setting up of a 180 TMTPA capacity LOBS plant alongwith storage tanks for intermediate as well as finished products and matching offsites and utilities facilities for production of high

performance Group II LOBS. The approved cost of the project is Rs. 3,180 million including a foreign exchange component of Rs. 1,000 million. The project is scheduled for mechanical completion in February, 2006.

Extension of Mumbai - Manmad Product Pipeline to Manglia (Indore)

The existing Mumbai-Manmad cross-country pipeline was extended up to Manglia and commissioned in September 2003 seven months ahead of schedule. This pipeline of 350 mm" dia, from Manmad to Manglia, with intermediate pigging facilities at Javkheda and Jhulwania and product storage facilities at Pipeline Receipt Terminal at Manglia, covers a distance of 358 kms with an approved cost of Rs. 3,360.7 million.

A suitable real time leak detection system on this pipeline with batch tracking is put up, which is integrated with the Supervisory Control and Data Acquisition System (SCADA) network. The complete pipeline system can be monitored and controlled by SCADA for which a Master Control Station (MCS) has been provided at Mumbai with extended remote work stations at Manmad and Manglia. Remote Telemetry Units (RTU) located along the pipeline route at all sectionalizing valve stations/ intermediate pigging station at Javkheda and Julwania, have also been provided. A state-of-the-art telecommunication system based on Synchronous Digital Hierarchy (SDH) has been put up for the pipeline. A Programmable Logic Control based system has been designed for pump start-up, shut-down and control.

At Manglia, a Receiving Terminal with total product tanakge of 1,55,770 KL for the pipeline and automated full rake wagon loading gantry/ railway siding for filling MS, SKO, HSD and Premier Grade High Speed Diesel (PGHSD) have been put up on 73 acres of land.

RESEARCH & DEVELOPMENT

BPC's Corporate R&D Center (CRDC) at Greater Noida and Product and Application Development Centre (P&AD) at Sewree, Mumbai are working extensively towards providing innovative and improved processes and value added products. While the CRDC is conducting research in areas such as catalysts & catalytic process simulation and modelling; residue upgradation, modified bitumen, crude evaluation, and fouling & corrosion, the P&AD is focussing on development and evaluation of improved formulations.

The areas covered under R&D and the benefits derived from R&D activities are detailed in Form B of Annexure A of the Director's Report.

INDUSTRIAL RELATIONS

The general Industrial Relations situation was peaceful and cordial during the year 2003-04. Programmes on Transformational Leadership were organized during the year for employees who are in leadership roles of BPC's Unions.

With a view to achieve greater operational efficiency and enhancing productivity levels, redundant work practices at many operating locations were eliminated.

FULFILMENT OF SOCIAL OBLIGATIONS

BPC's support to social causes was manifested in the fund raising events organised by various NGOs viz. Cancer Patients Aid Association, Concern India Foundation, Sankalp Rehabilitation Trust, One India One People Foundation, Indian Women Press Corps, and Kolkata Police Family Welfare Centre. BPC was adjudged second in the category of large organizations for the prestigious Corporate Social Responsibility Award 2002-03 by TERI.

BPC sportspersons continued to excel and bring laurels in sports. Len Aiyappa and Sandeep Michael won the Gold Medal at the Afro-Asian Games (Hockey) held at Hyderabad. Sairaj Bahutule and Avishkar Salvi played for India at one day internationals against New Zealand and Australia in October 2003. Sairaj Bahutule was the captain of the Mumbai Ranji team which won the Ranji Trophy. Devendra Joshi won the Asian Billiards Championships in Myanmar. Manan Chandra won the National 9 - Ball Pool Championships in Chandigarh. Poulami Ghatak won the National Women's TT Championship. Jwala Gutta and Shruti Kurien won the doubles Gold medal in the SAF Games held at Islamabad. They were winners of the National doubles title at Hyderabad also. Marianne Karmarkar played in the Indian Ladies Bridge team which won the Gold Medal in the Bridge Federation of Asia & the Middle East Championships.

Details relating to employees belonging to Scheduled Caste (SC), Scheduled Tribe (ST) and Other Backward Classes (OBCs) are given in Annexure D.

BPC also provides 3% reservation for Physically Disabled persons in all recruitment processes as per the provisions of 'Persons with Disabilities' (Equal opportunities Protection of Rights and Full Participation) Act, 1995.

IMPLEMENTATION OF THE OFFICIAL LANGUAGE POLICY

The Official Language Implementation Committees are functioning at the Corporate, Regional, Area and

Location levels, to promote the use of Hindi at work. These Committees perform the task of reviewing from time to time, the progress made in Official Language implementation. The major activities towards implementation in Hindi included Hindi Workshops and Hindi Co-ordinators' Conferences at all the Regions and Refinery; preparation of most of the publicity material in bilingual; Hindi training classes and Hindi typing and stenography training. Various competitions and cultural programmes were held at locations all over the country, on the occasion of Hindi Fortnight, celebrated from 14th-28th September, 2003.

The Chairman's Inter-Region Rajbhasha Rolling Trophy is in force to create competition and awareness. Further, to enhance implementation of Official Language within the Corporation, the Incentive Scheme has been revised and made more attractive. BPC's Eastern Regional Office, Kolkata was awarded the prize for Best Implementation of Official Language by the Department of Official Language, Government of India.

CITIZENS' CHARTER

Citizens' Charter, a tool for ensuring transparency in educating and communicating with the customers about their rights, apart from various infrastructure / services being available for the customers, is always in the forefront of all activities of the Corporation. The financial year was very eventful particularly in respect of enhancing the customer service level. The Grievance Redressal Mechanism was also geared up which is fully established and positioned at various consumer contact points.

Various schemes, programmes and services to provide value addition to retail customers were pioneered by BPC, received a good response and created a brand differentiation in the minds of consumers. The initiative of each business unit in meeting the Citizens' Charter are discussed in detail in the MD&A Report.

VIGILANCE

The ultimate aim of the Vigilance setup is to assist BPC management to achieve the highest standards of stewardship of public funds towards the best possible use of resources.

Awareness being the first step towards action, BPC enthusiastically organized programmes during Vigilance Awareness Week from 3rd - 8th November, 2003 at all of its locations spanning the length and breadth of the country, with wholehearted participation of the employees.

The Vigilance machinery acted effectively on complaints

Director (HR) receives the Corporate Social Responsibility Award.

Happiness radiates on the li'l kids' faces.

Nisarg - BPC's contribution towards environmental care.

and information from other sources, with the purpose of safeguarding stakeholders' interest, ensuring the process that motivated complaints, if any, were effectively weeded out. Adequate briefing has been given to the administrative ministry i.e. Ministry of Petroleum & Natural Gas (MOP&NG) and Central Vigilance Commission to enable them to reach just conclusions.

SUBSIDIARY COMPANIES

Numaligarh Refinery Limited

BPC holds 62.96% of the paid up equity in NRL. As on 31st March, 2004, the 3 MMTPA Refinery completed 772 days of Lost Time Accident free operation since its commissioning. NRL was declared as a Mini Ratna (Category I) company during the year. The crude oil processed during the year was 2.20 MMT, as compared to 1.88 MMT during the previous year. For the year ended 31st March, 2004, NRL achieved a turnover of Rs. 32.20 billion and earned a profit after tax of Rs. 2,149.54 million as against a turnover of Rs. 28.05 billion and profit after tax of Rs. 1,746.25 million for the last year. NRL has proposed a dividend of Rs. 0.88 per share as against a dividend of Rs. 0.72 per share paid for the previous year.

Kochi Refineries Limited

BPC holds 54.81% of the paid up equity of KRL. During the year, KRL started implementation of its Capacity Expansion-cum-Modernization Project, which involves inter-alia, implementation of facilities required for upgrading MS and HSD to conform to Euro-III norms, expansion of crude oil refining capacity by 2.5 MMTPA and modernization of the Refinery to reduce operating costs. The capital outlay is envisaged at approximately Rs. 18,000 million. The progress of the first phase was more than 40% during the year.

KRL has achieved 'Level 7' of the International Safety Rating System (ISRS) certified by M/s. DNV of Netherlands. The Integrated Refinery Information System using SAP/R3 software went live from July 2003. KRL received the National Energy Conservation Award of Merit and the National Safety Award in the Occupational Safety and Health (OSH) category for the year 2003.

KRL achieved a turnover of Rs. 115.13 billion for the year 2003-04 as against Rs. 105.88 billion in the previous year. Profit after tax for the year 2003-04 was Rs. 5,550.87 million as compared to Rs. 4,560.17 million in the previous year. KRL has declared a dividend of 120% for the year 2003-04 against 100% paid for the previous year.

In accordance with the Accounting Standards on Consolidated Financial Statements (AS-21) and Investments in Associates (AS-23) issued by the Institute of Chartered Accountants of India and Clause 32 of the Listing Agreement, the Consolidated Financial Statements presented by the Company include the required financial information of the said subsidiaries i.e. KRL and NRL.

In view of dispensation granted by the Central Government under Section 212(8) of the Companies Act, 1956, copies of the Balance Sheet, Profit and Loss Account, Directors' Report and the Auditors' Report of the Subsidiary Companies are not attached to the Balance Sheet of the Company. However, summarised Balance Sheet and Profit & Loss Account of the subsidiaries are enclosed as Annexure F to the Directors' Report for information. The Audited Annual Accounts of the subsidiary companies and related detailed information are open for inspection by any member at BPC's Registered Office. Further, BPC will make available these documents, upon request, to any of its members or members of its subsidiaries and the said documents will also be published on BPC's website.

JOINT VENTURE COMPANIES

Bharat Shell Limited

Bharat Shell Limited (BSL), a JVC between BPC and Shell Overseas Investment BV (Shell) of Holland, markets Shell branded lubricants. During the financial year, BSL achieved sales of Rs. 2,680.14 million as compared to Rs. 2,462.52 million during the previous year. BSL made a profit of Rs. 50.16 million for the current year against a profit of Rs. 62.86 million in the previous year. The rise in Base Oil costs and reduction in other income affected the profits.

Petronet India Limited

Petronet India Limited (PIL), a JVC in which BPC has 16% equity participation, with investment of Rs. 160 million, was formed as a financial holding company, to give impetus to the development of pipeline networks throughout the country. PIL is facilitating pipeline access on a common carrier principle, through its joint ventures for the pipelines put up by them viz. Vadinar-Kandla (Sikka-Kandla section) Kochi-Karur and Mangalore-Hassan-Bangalore. PIL registered gross revenue of Rs. 9.31 million against Rs. 44.45 million in the previous year, resulting in a net loss of Rs. 43.88 million against a net profit of Rs. 10.81 million in the previous year. The new pipeline policy is likely to impact the future of this company.

Petronet CCK Limited

Petronet CCK Limited (PCCKL) is a JVC between BPC and PIL, in which BPC has 26% equity amounting to

Rs. 260 million. It owns the Kochi-Karur pipeline which commenced commercial operations from September 2002. Pumping till March 2004 amounted to 1.543 MMT. PCCKL registered a turnover of Rs. 309.78 million and cash profit of Rs. 24.70 million for the year ended 31st March, 2004 against a turnover of Rs. 146.02 million and a cash loss of Rs. 15.62 million in the previous year. It is expected that the capacity utilization will improve as other marketing companies have started using this line for movement of their products. Pipeline transportation is intended to provide a competitive edge vis-à-vis other modes of transportation.

Kochi Refineries Limited

Petronet LNG Limited

Petronet LNG Limited (PLL), a JVC, was set up for importing LNG and setting up LNG terminals at Dahej and Kochi, to supply natural gas to various industries in the country. It was promoted by BPC, IOC, ONGC and GAIL - public sector companies contributing equally with 12.5% of the equity. The balance 50% equity was raised over time from Gaz de France -10%; the Asian Development Bank - 5.2%; and balance 34.8% from the public raised through the book building process at a premium of Rs. 5.00 per share in the month of March 2004. BPC's investment of 12.5% amounts to Rs. 987.50 million. PLL has set up LNG receipt and regassification terminal facilities of 5 MMPTA capacity at Dahej in Gujarat and started commercial supplies of regassified LNG from the said terminal. The shares of PLL were listed on the Stock Exchange, Mumbai and the National Stock Exchange of India Ltd.

Numaligarh Refinery Limited

Indraprastha Gas Limited

Indraprastha Gas Limited (IGL) is a JVC set up with GAIL as the other partner, for implementing the project for supply of CNG to the household and automobile sectors in Delhi. BPC has invested Rs. 315 million in IGL, which amounts to 22.50% of its equity. Besides commissioning over 120 CNG stations, IGL has laid considerable infrastructure for supply of piped natural gas as also connections to numerous domestic and commercial consumers.

During the year the Financial Institutions offered 28.57% of their equity holding in this company to the public through the process of book building at Rs. 48.00 per share and the equity shares of IGL were listed on the Stock Exchange, Mumbai and the National Stock Exchange of India Limited.

IGL registered a turnover of Rs. 4,918.08 million for the year 2003-04 as compared to Rs. 3,543.50 million in the previous year. Profit after tax for the year 2003-04 was

Rs. 821.94 million as compared to Rs. 539.83 million in the previous year. The company has recommended a dividend of 15% for the current year against a dividend of 5% in the previous year.

Petronet CI Limited

Petronet CI Limited is a JVC set up for laying a pipeline of about 1760 kms. for evacuation of petroleum products from refineries at Jamnagar / Koyali to feed various consumption zones in Central India. BPC has equity participation of 11%, aggregating to Rs. 15.84 million. The project was to be implemented on Build Own Operate and Transfer (BOOT) basis, for which the bids invited evoked a poor and conditional response. In view of unwillingness to continue participation in the project by the promoters, the project activities have been kept on hold.

VI e Trans Private Limited

An investment of Rs. 1 million, representing 33.33% of the equity of VI e Trans Pvt. Ltd. was made in May, 2001. The company is engaged in providing logistic support systems for the Indian surface industry and its users, with the help of electronic and physical infrastructure and web-based systems. With certain new initiatives and opening of 228 tracking stations across the country (including 119 in BPC's retail outlets), the company is expected to make progress in its business. The company registered a turnover of Rs. 23.09 million and a loss of Rs. 2.07 million for the year ended 31st March, 2004, as against a turnover of Rs. 7.75 million and a loss of Rs. 14.85 million in the previous year. Although the company's gross revenue increased substantially during the current year, it will require some more time to stabilize in terms of profitability.

CONSERVATION OF ENERGY, TECHNOLOGICAL ABSORPTION AND FOREIGN EXCHANGE

The details regarding energy conservation, technology absorption and foreign exchange used and earned as required by Section 217(1)(e) of the Companies Act, 1956, are given in Annexure A.

MEMORANDUM OF UNDERSTANDING WITH MINISTRY OF PETROLEUM & NATURAL GAS

For the fifteenth successive year, BPC has entered into a Memorandum of Understanding (MOU) with the MoP&NG, for the year 2004-05. For the 13th consecutive year (year ended March 2003), BPC has achieved 'an Excellent' rating. Based on an internal evaluation of performance, for the year 2003-04, BPC once again merits an 'Excellent' rating subject to approval by the Government of India.

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A)

Information required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is enclosed as Annexure C.

CORPORATE GOVERNANCE

As required under Clause 49 of the Listing Agreement with the Stock Exchanges, the Report on Corporate Governance, together with the Auditors' Certificate regarding Compliance of the SEBI Code of Corporate Governance, is annexed as Annexure B. The Annual Report also contains a separate Section on the 'Management Discussion and Analysis' which is a part of the Directors' Report.

The forward looking statements made in the 'Management Discussion and Analysis' are based on certain assumptions and expectations of future events. The Directors cannot guarantee that these assumptions are accurate or expectations will materialise.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors of BPC confirm that:

The financial statements are prepared in conformity with the Accounting Standards issued by the Institute of Chartered Accountants of India and the requirements of the Companies Act, 1956, to the extent applicable to BPC, on the historical cost convention, as a going concern and on accrual basis. There are no material departures from prescribed Accounting Standards in the adoption of the Accounting Standards. The accounting policies used in the preparation of the financial statements have been consistently applied, except where otherwise stated in the Notes on Accounts.

The Board of Directors and the management of BPC accept responsibility for the integrity and objectivity of these financial statements. The estimates and judgements relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner, the form and substance of transactions, and reasonably present BPC's state of affairs and profits for the year. To ensure this, BPC has taken proper and sufficient care in maintaining adequate accounting records in accordance with the provisions of the law; and also in installing a robust system of internal controls, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. BPC's

internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of BPC have been followed. However, there are inherent limitations that should be recognised in weighing the assurance provided by any system of internal controls.

The financial statements have been audited by the Statutory Auditor- M/s. V. Sankar Aiyar & Co., Chartered Accountants.

The Audit Committee of the Board meets periodically with the internal auditors and the statutory auditors to review the manner in which the auditors are discharging their responsibilities and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the statutory auditors and the internal auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

DIRECTORS

Shri S. Vijayaraghavan, on relinquishing the charge of Joint Secretary, Ministry of Petroleum & Natural Gas, resigned from Directorship of BPC with effect from 2nd September, 2003. The Directors have placed on record their appreciation of the valuable contributions made and guidance given by Shri S. Vijayaraghavan, for the development and progress of BPC's business.

Dr. P.N.Khandwalla, Shri P.P.Kaliaperumal and Prof. K. Vasudeva, Part-Time (Independent) Directors on the Board have resigned from the Directorship of BPC with effect from 4th September, 2003. The Directors have placed on record their appreciation of the valuable contributions made and guidance given by them in the management of the company.

Shri V.D.Gupta, Shri P.C.Sen, and Prof. A.H.Kalro were appointed as Additional Directors under Articles 77A of the Articles of Association effective 5th September, 2003, in place of the above Part-time (Independent) Directors.

Shri A.K.Srivastava, Joint Secretary, Ministry of Petroleum & Natural Gas, was appointed as Additional Director under Article 77A of the Articles of Association of the Company with effect from 16th September, 2003.

All the above four Directors, having been appointed as Additional Directors, hold office till the ensuing Annual General Meeting. Notices under Section 257 have been received, proposing their names for appointment as 'directors retiring by rotation' at the ensuing Annual General Meeting. As required under the Corporate Governance Code, a brief bio-data of the said Directors is provided in the Corporate Governance Report.

As required under Section 256 of the Companies Act, 1956, Shri Ashok Sinha, Director (Finance), Shri S. Radhakrishnan, Director (Marketing) and Shri M. Rohatgi, Director (Refineries) will retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment as Directors at the said Meeting.

STATUTORY AUDITORS

M/s. V. Sankar Aiyar & Co., Chartered Accountants, Mumbai, were appointed as Statutory Auditors for the year 2003-04 by the C&AG under the provisions of Section 619(2) of the Companies Act, 1956. They will hold office till the ensuing Annual General Meeting. The C&AG will be approached for the appointment of Statutory Auditors for the financial year 2004-05.

ACKNOWLEDGEMENTS

The Directors place on record their appreciation towards BPC's valued customers for their continued patronage and confidence and look forward to the continuance of this mutually supportive relationship in future.

The Directors gratefully acknowledge the guidance and support received from the Government of India, particularly from the Ministry of Petroleum & Natural Gas.

The Directors convey their heartfelt gratitude to all the employees for the untiring efforts being put in by them at all levels, without whose valuable contributions the excellent performance of the Company would not have been possible.

The Directors also thank BPC's dealers, distributors, contractors and suppliers for their contribution to the success of the organisation.

The Directors express their sincere thanks to all shareholders for the continued support and trust they have reposed in the management.

For and on behalf of the Board of Directors

Sd/-

Mumbai
27th July, 2004

Sarthak Behuria
Chairman & Managing Director

ANNEXURE A

Efforts made by BPC in regard to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo, which are required to be given under Section 217 (1)(e) of the Companies Act,1956, are as under :-

A. CONSERVATION OF ENERGY

(i) Energy conservation measures taken:

Energy conservation efforts received continuous focus both in terms of improvement in operations/ maintenance as well as development of new projects. Continuous monitoring of fuel consumption and hydrocarbon loss is undertaken using sophisticated instruments and data acquisition system. An elaborate energy accounting system and Management Information System are important features of BPC's Refinery.

(ii) Additional investments and proposals, if any, being implemented for and impact of the measures for reduction of consumption of energy and consequential impact on the cost of production of goods.

The following energy conservation and loss control measures were adopted during the year which have resulted in fuel savings of approx. 940 MT per annum which is equivalent to Rs.7.6 million per annum.

a. Replacement of Leaky APH tubes in the RFU-101 furnace during shutdown enabling furnace operation on forced draft mode.

b. Provision of Fibre Reinforced Plastic (FRP) blades for 11 air fin cooler fans in Aromatics / Fluid Catalytic Cracking Unit (FCCU) units.

c. Installation of secondary vapour seals in 3 floating roof tanks on light hydrocarbon & crude oil service.

d. Replacement of 200 gate valves on steam & condensate lines with glandless piston valves to reduce steam leaks.

e. Diversion of unstabilised naphtha ex DHDS to MS rundown instead of slop tanks.

As a part of Oil Conservation Fortnight, a Joint Oil Conservation Survey in the area of Furnace / Boiler Efficiency and Insulation Effectiveness was carried out for all Refinery furnaces / boilers during January, 2004 with external members nominated by M/s. Center for High Technology (CHT). In addition, various awareness programmes on the Oil Conservation theme were conducted, both inside & outside the Refinery, including free PUC check up for more than 1200 vehicles.

BPC Refinery is implementing / planning to implement various energy conservation and loss control projects as given below:

- Provision of 25 Fibre Reinforced Plastic (FRP) blades for air fin coolers in the Catalytic Cracking Unit (CCU) and High Vacuum Unit (HVU).
- Replacement of Insulation for various Steam Headers.
- Installation of secondary vapour seals in 5 floating roof tanks on crude oil service.
- Increasing condensate recovery from Sulphur Recovery Unit.

In addition, the Refinery is installing highly energy efficient equipments as a part of the on-going Refinery Modernisation Project (RMP).

(iii) Details regarding total energy consumption and energy consumption per unit of production etc. are given in the prescribed Form A, annexed hereto.

B. TECHNOLOGY ABSORPTION

The Refinery is undertaking the following projects to obtain the benefits of the latest technological developments and advances:

- Revamping of Catalytic Reforming Unit (CRU) for production of high Octane Motor Spirit blend stock and for increasing capacity. The following technology has been obtained for the project:

  Fixed Bed Platforming process: M/s. UOP, USA.

- Setting up facilities for production of high performance environment friendly Group-II Lube Oil Base Stock (LOBS) facilities using unconverted oil from the Hydrocracker. The following technology has been obtained for the project:

  Isodewaxing/ Hydrofinishing Technology from M/s. Chevron Lummus Global, USA.

- As a part of RMP, Hydrocracker unit is being set up to produce superior quality middle distillates and reduce overall SO_2 emissions from the Refinery. The following Licenses have been obtained for the project:

Hydrocracker	:	Chevron Lummus Global, USA
Hydrogen	:	Haldor Topsoe, Denmark
Sulphur Recovery	:	Delta Hudson, Canada

  Details regarding the efforts made in technology absorption as per the prescribed Form B are annexured hereto.

FOREIGN EXCHANGE EARNINGS / OUTGO

(i) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans :-

1) Exports
BPC developed an export market for High Aromatic Naphtha and was able to improve premiums from US $ 1.78 last year to US $ 9.24 this year, thereby generating a value addition of Rs. 138 million. The total exports were 485.66 TMT and the realization was US $ 119.46 million i.e. Rs. 5,484.68 million. The significant achievement has been the ability to improve the margins and bring in operational improvement in export handling. Export on behalf of KRL was 483.88 TMT.

   Total export of the BPC group including KRL was 970 TMT.

2) Import of Crude Oil
Import of crude oil increased from 7.71 MMT in 2002-03 to 10.28 MMT in 2003-04. Consequently, the import bill on account of FOB cost stood at US $ 2,150 million i.e. Rs. 98,173.24 million for the year 2003-04 as against US $ 1,512 million i.e. Rs. 73,008 million during 2002-03. The average purchase price of crude oil stood at US $ 28.28 per barrel. Further, during the year, 3 new crudes namely Al-Shaheen, Champion, Seria Light were purchased and processed, thereby enhancing the basket and improving the Gross Refinery Margins (GRMs).

   BPC purchased 4.137 MMT of indigenous crude oil from ONGC.

3) Import of Base Oil
During the year 2003-04, BPC imported 32.4 TMT (7.7 TMT) of Base Oil amounting to US $ 14.87 million i.e. Rs. 677.55 million as against US $ 2.76 million i.e. Rs. 133.68 million, with a quantum jump of 320% over quantity imported during 2002-03.

4) Import of LPG
BPC commenced independent import of LPG by entering into a term contract with Saudi Aramco for 135 TMT of Butane and Propane mix. During the year 2003-04, 20 TMT of Butane and Propane were lifted against the said Term contract for discharge at Ratnagiri and Tuticorin amounting to US $ 6.17 million i.e. Rs. 279.55 million.

(ii) The details of foreign exchange earnings and outgo are given below :-

		Rs. in Million
	2003-04	2002-03
Earnings in Foreign Exchange	**13,192.11**	11,908.82
- includes receipt of Rs. 5,891.36 million (Rs. 5,415.00 million) in Indian currency out of the repatriable funds of foreign airline customers.		
Foreign Exchange Outgo	**49,526.67**	32,895.92
- on account of purchase of raw materials, capital goods, chemicals, catalysts, spare parts, international trading activities.		

FORM A

Form for disclosure of particulars with respect to conservation of energy

	2003-04	2002-03
A. Power & Fuel Consumption	**2003-04**	2002-03
1. Electricity		
a. Purchased		
Units (million KWH)	**0.47**	0.35
Total Amount (Rs. million)	**61.74**	75.62
Rate/Unit (Rs./KWH)*	**132.57**	217.62
b. Own Generation		
Through Steam Turbine/Generator/ Captive Power Plant (CPP)		
Units (million KWH)	**278.77**	289.86
Units per Ton of Fuel	**2,707.21**	2,725.02
Cost/Unit (Rs./KWH)**	**3.17**	3.04
2. Coal	**Nil**	Nil
3. Furnace Oil/Liquid Fuel		
LSHS Qty - MT	**171,987**	168,646
Total amount (Rs. million)	**1,393.40**	1,520.48
Avg. Rate (Rs./Unit)	**8,101.79**	9,015.80
IBP-60 Qty - MT	**7,863**	8,409
Total amount (Rs. million)	**93.09**	106.66
Avg. Rate (Rs./Unit)	**11,838.75**	12,683.55
4. Others/Internal Generation		
External Fuel :		
Bombay High Associated Gas (BHAG)		
Qty - (MT)	**1,921**	1,045
Total amount (Rs. million)	**8.30**	4.43
Average Rate (Rs./Unit)	**4,320.09**	4,238.82

Internal Fuel :

Refinery Gas Qty - (MT)	**87,173**	87,816
Total amount (Rs. million)	**706.26**	791.73
Average Rate (Rs./Unit)	**8,101.79**	9,015.80
Pressure Swing Adsorption (PSA) Off Gas Qty - (MT)	**12,278**	11,581
Total amount (Rs. million)	**17.55**	18.42
Average Rate (Rs./Unit)	**1,429.24**	1,590.48
FCC Units Coke Qty - MT	**85,812**	85,717
Total amount (Rs. million)	**695.23**	772.81
Average Rate (Rs./Unit)	**8,101.79**	9,015.80

Notes :

* Cost per unit of power purchased has decreased due to decrease in Demand Charges.

** Cost per unit of power generation in CPP has increased due to increase in depreciation, duty on power and overhead cost.

B. Energy Consumption per unit of production

	Unit	Stds. if any #	**2003-04**	2002-03
Production of Petroleum products	MT		**8,259,249**	8,221,095
Electricity	KWH / MT		**33.81**	35.30
LSHS / IBP-60	Kg/MT		**21.78**	21.54
Gas (Excluding CPP)	Kg/MT		**12.27**	12.22
FCC Units Coke	Kg/MT		**10.39**	10.43

No fixed consumption parameter can be attributed to a particular product as the product pattern of the Refinery is governed by supply / demand scenario of products and Government directives. It is also a function of quantity / type of crude processed, planned shutdown of processing units for maintenance / inspection and severity of operations of processing units which varies widely.

FORM B

Form for disclosure of particulars with respect to Technology Absorption

RESEARCH & DEVELOPMENT (R&D)

1. Specific areas in which R&D is being carried out by the Company :

i) Catalysts and catalytic processes

ii) Residue upgradation

iii) Detailed crude evaluations

iv) Value added products

v) Modelling and simulation of Refinery processes

vi) Corrosion and antifoulant studies

vii) Analytical methods development

viii) Product and application development

a. High performance Diesel Engine Oil

b. New grades of Rust Preventive Oils

c. High performance greases

d. Exclusive grades for Defence

e. Exclusive Bearing Oils for Steel Plants

f. Alternate formulations for existing lubricant grades

2. Benefits derived as a result of above R&D :

i) Improved cost effective catalyst and LPG maximization catalyst additives selected and conditions for usage optimized for FCCU.

ii) Process/schemes developed for improved quality Bitumens.

iii) Optimum additives have been identified for reduction of cutter stock in FO and winter grade diesel.

iv) Detailed crude evaluation data generated on six crude oils being processed / likely to be processed in the Refinery, which aided in optimization of Refinery operations and products quality.

v) Troubleshooting/technical support extended to Refinery Operations and Marketing through R&D studies, Analytical methods development, Corrosion inhibitors evaluation etc.

vi) The following new products were developed:

a. This high performance latest generation Diesel Engine Oil would meet the lubricants requirements of diesel engine vehicles meeting Euro III emission norms.

b. The new grades of Rust Preventive Oils developed would strengthen and help in increasing our market share in this segment.

c. The new grades of high performance Grease developed would increase our existing grease portfolio and thereby increase our market share.

d. The exclusive grades developed for Defence would provide another indigenous alternative to Defence.

e. The exclusive grades of Bearing Oils, meeting the latest specifications, would provide the Steel Plants with a viable alternative, besides providing us an opportunity to increase our business share in steel plants.

f. Developed alternate formulations for ten existing grades. These formulations would help in reducing the input cost/provide flexibility in operation.

3. Future Plan of Action

a) Intensifying activities in the area of catalysts and catalytic processes.

b) Upgradation of the bottom of barrel including improved/multi-grade bitumens, emulsified bitumens.

c) Development of new processes for ultra low sulphur MS and HSD.

d) Enlargement of crude basket and optimization of its processing in the Refinery.

e) Value added products/solvents from the Refinery streams.

f) Bio-technological processes including bio-desulphurization.

g) Alternate Fuels

i) Bio Diesel: Application oriented studies including evaluation of products from different feedstocks, blend properties evaluations.

ii) Hydrogen: A pilot study for use of hydrogen as an auto fuel for three wheelers.

h) Developing the following grades / products:

i) High performance Diesel Engine Oil

ii) Synthetic Gear Oil

iii) Rust Preventive for cold rolled sheets for Steel Plants

iv) High performance Greases

v) Metal Working Fluid

vi) Exclusive grades for Defence

vii) Radiator Coolant

viii) Alternate formulations for existing grades

4. Expenditure on R&D during 2003-04

		Rs. in million
a)	Capital Expenditure	52.55
b)	Revenue / Recurring Expenditure	85.74
c)	Total Expenditure	138.29
d)	Total R&D Expenditure as a % of total turnover	Negligible

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief, made towards technology absorption, adaptation and innovation

BPC has undertaken the following projects to obtain the benefits of the latest technological developments and advances:

- "BITUROX" technology from M/s. Porner, Austria for production of superior quality harder grade Bitumen.
- Revamping of FCCU by incorporating advanced Feed Injection Technology from M/s. Stone & Webster, USA for improving FCCU yield.
- As a part of RMP, the Hydrocracker unit and associated Hydrogen unit & Sulphur recovery facilities are being set up to produce superior quality of middle distillates and reduce overall SO_2 emissions from Refinery.
- Revamping of CRU for production of high octane Motor Spirit blend stock and for increasing capacity.
- Setting up facilities for production of high performance environment friendly Group-II LOBS facilities using unconverted oil from the Hydrocracker.

2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.

- Production of superior quality harder grade Bitumen
- Yield improvement
- Reduction of overall SO_2 emissions from the Refinery and manufacture of superior quality middle distillates.
- Production of superior quality Motor Spirit (Petrol).
- Production of high performance Group-II LOBS.

3. Information regarding imported technology (imported during last five years reckoned from the beginning of the financial year).

(a) Technology Imported	(b) Year of Import
• "BITUROX" technology from M/s. Porner, Austria for production of superior quality harder grade Bitumen.	2000
• FCC - Feed Injection Technology from M/s. Stone & Webster, USA for yield improvement.	2001
• Hydrocracker technology from M/s Chevron Lummus Global, USA	2001
• Technology for production of Hydrogen from M/s. Haldor Topsoe, Denmark.	2001
• Maximum Claus Recovery Concept (MCRC) technology for enhanced recovery of sulphur from off-gases from M/s. Delta Hudson, Canada, through M/s. Engineers India Limited (EIL).	2001
• Fixed Bed Platforming process from M/s UOP, USA for production of high octane Motor Spirit blend stock and for increasing capacity.	2003
• Isodewaxing / Hydrofinishing technology from M/s Chevron Lummus Global, USA for production of Group-II LOBS.	2003

(b) Has Technology been fully absorbed?

Yes.

(c) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action:

Not applicable.

ANNEXURE B

Report on Corporate Governance

Being an investor friendly Company, BPC has always looked at Corporate Governance practices as a means of maximisation of stakeholders' wealth. The interest of all the stakeholders including the shareholders, employees, customers and the Government exchequer are given paramount importance while taking commercial decisions. While the Board can be presumed to be responsible for implementation of Corporate Governance through the Compliance Officer i.e. the Company Secretary, each and every business head equally takes responsibility to meet the aspirations of the stakeholders. Asiamoney, one of the most influential financial magazines in Asia, has ranked BPC as the first in India and third in Asia in the Energy sector, for Best Corporate Governance, in their Second Annual Corporate Governance Survey published in September 2003. BPC was also ranked as the best Indian Oil & Gas Corporate and the fourth best amongst the Asian Oil & Gas Corporates in the recent ranking of 'Asia's Corporate Governance Pioneers' by Euromoney Magazine. Further, 'Business Today' Magazine has ranked BPC as one amongst India's topmost Investor Friendly Companies.

1. **Company's philosophy on Code of Governance**

   BPC's corporate philosophy on Corporate Governance has been to ensure fairness to the stakeholders through transparency, full disclosures, empowerment of employees and collective decision making.

2. **Board of Directors**

   BPC being a Government Company, the Government has decided the composition of the Board of BPC, i.e. five Whole-time (Executive) Directors including the Chairman & Managing Director, three Part-time (Ex-Officio) Directors and four Part-time (Independent) Directors.

   As per the Articles of Association of the Company, the number of Directors shall not be less than three and more than twelve. As on 31st March 2004, there were eleven Directors on the Board comprising five Whole-time (Executive) Directors, and six Non-Executive Directors i.e. three Part-time (Ex-Officio) Directors and three Part-time (Independent) Directors. Hence, the Non-Executive Directors had a majority strength on the Board. During the year all meetings of the Board and the Annual General Meeting were chaired by the Chairman & Managing Director.

   During the year 2003-04, none of the Non-Executive Directors of BPC had any pecuniary relationship / transaction with the Company.

   The Directors neither held membership of more than 10 Board Committees nor Chairmanship of more than 5 Committees (as specified in Clause 49) across all the Companies in which they were Directors.

   The required information as enumerated in Annexure I to Clause 49 of the Listing Agreement was made available to the Board of Directors.

   Details regarding the Board Meetings; Directors attendance thereat and the Annual General Meeting; Directorships and Committee positions held by the Directors are as under :-

   Board Meetings

   Thirteen Board Meetings were held during the financial year on the following dates:-

29th May, 2003	20th June, 2003	4th July, 2003	31st July, 2003	18th August, 2003
5th September, 2003	25th September, 2003	31st October, 2003	21st November, 2003	26th December, 2003
30th January, 2004	19th February, 2004	29th March, 2004		

Particulars of Directors including their attendance at the Board /Shareholders' Meetings during the financial year 2003-04

Names of the Directors	Academic Qualifications	Attendance out of 13 Board Meetings held during the year and percentage thereof		Attendance at the last Annual General Meeting	Details of Directorships held in other Public Limited Companies	Memberships held in Committees as specified under Clause 49 of the Listing Agreement
Whole-time Directors		**No. of Meetings Attended**	**%**			
Shri S. Behuria Chairman & Managing Director	B.A. (Hons) PGDBA	13	100	Attended	Chairman : 1) KRL 2) NRL Director : 3) BORL 4) BSL	Member : a) Audit Committee – BSL
Shri A. Sinha Director (Finance)	B. Tech (Elect.) M.B.A.	13	100	Attended	Director : 1) KRL 2) NRL 3) BSL 4) BORL 5) PLL	Member : a) Investors Grievance Committee 1) BPC b) Audit Committee 2) BSL 3) BORL 4) PLL c) Remuneration Committee 5) BSL 6) BORL 7) PLL
Shri S.A. Narayan Director (Human Resources)	B.Sc. (Hons), M.A. (Pers), L.L.B.	12	92	Attended	Director : 1) NRL 2) KRL 3) PIL	Member : a) Compensation Committee – PIL
Shri S. Radhakrishnan Director (Marketing)	B.Tech, (Mech.) M.B.A.	13	100	Attended	Director : 1) KRL 2) NRL 3) PIL 4) IGL	Member : a) Audit Committee - IGL b) Remuneration Committee - IGL
Shri M. Rohatgi Director (Refineries)	B.Tech (Chem.) M.B.A.	13	100	Attended	Director : 1) KRL 2) NRL 3) BORL	Member : a) Audit Committee – KRL Chairman : b) Remuneration Committee – BORL

KRL : Kochi Refineries Limited, NRL : Numaligarh Refinery Limited, BORL : Bharat Oman Refineries Limited, BSL : Bharat Shell Limited, PIL : Petronet India Limited, PLL : Petronet LNG Limited, IGL : Indraprastha Gas Limited.

Particulars of Directors including their attendance at the Board /Shareholders' Meetings during the financial year 2003-04

Names of the Directors	Academic Qualifications	Attendance out of 13 Board Meetings held during the year and percentage thereof		Attendance at the last Annual General Meeting	Details of Directorships held in other Public Limited Companies	Memberships held in Committees as specified under Clause 49 of the Listing Agreement
Non Executive Directors (a) Part-time (Ex-Officio)		**No. of Meetings Attended**	**%**			
Shri M.S. Srinivasan Additional Secretary, Ministry of Petroleum and Natural Gas	B.Tech (Civil), M.P.A., I.A.S.	11	85	Did not Attend	Director : 1) IOC 2) HPC	Chairman : a) Remuneration Committee 1) IOC, 2) BPC
Dr. B. Mohanty Joint Advisor (Finance), Ministry of Petroleum and Natural Gas	M.Sc., Ph.D, I.E.S.	10	66	Did not Attend	Director : 1) HPC 2) BLIL, 3) GGSRL	Member : a) Audit Committee : 1) HPC, 2) BLIL 3) GGSRL b) Shareholders' Grievance Committee 4) HPC
Shri A.K. Srivastava Joint Secretary, Ministry of Petroleum & Natural Gas (w.e.f. 16th September, 2003)	B.E. (Elect.) B.E. (Mech.) PGDM I.A.S.	4	57*	Not Applicable	Director 1) HPC 2) GAIL, 3) IBP	
Shri S. Vijayaraghavan, Joint Secretary, Ministry of Petroleum & Natural Gas (upto 2nd September, 2003)	M.Sc. (Chem.) I.A.S.	3	60*	Did not Attend	Director 1) GAIL 2) HPC, 3) PLL	

IOC : Indian Oil Corporation Limited, HPC : Hindustan Petroleum Corporation Limited, GAIL : GAIL (India) Ltd., PLL : Petronet LNG Limited, IBP : IBP Company Ltd., BLIL : Balmer Lawrie Investments Ltd., GGSRL : Guru Gobind Singh Refineries Ltd.

* Percentage computed by considering the meetings attended with the total meetings held during his tenure

Particulars of Directors including their attendance at the Board /Shareholders' Meetings during the financial year 2003-04

Names of the Directors	Academic Qualifications	Attendance out of 13 Board Meetings held during the year and percentage thereof		Attendance at the last Annual General Meeting	Details of Directorships held in other Public Limited Companies	Memberships held in Committees as specified under Clause 49 of the Listing Agreement
(b) Part-Time (Independent)		**No. of Meetings Attended**	**%**			
Shri V. D. Gupta (w.e.f. 5th September, 2003)	B.Sc. Engg (Hons)	6	75*	**		Member : a) Audit Committee - BPC b) Remuneration Committee - BPC
Shri P. C. Sen (w.e.f. 5th September, 2003)	B.A.(History)(Hons), M.A.(History), M.Sc.(Eco), I.A.S	8	100*	**		Member : a) Audit Committee - BPC b) Remuneration Committee - BPC
Prof. A.H. Kalro (w.e.f. 5th September, 2003)	B.Tech.(Hons), (Elect.), M.S., Ph.D (Industrial Engg.)	6	75*	**	SECL	Member : a) Audit Committee - SECL Chairman b) Audit Committee - BPC c) Investors Grievance Committee - BPC
Shri P. P. Kaliaperumal (upto 4th September, 2003)	M.A., B.L.	5	100*	Attended		Member: a) Audit Committee - BPC
Dr. P.N. Khandwalla (upto 4th September, 2003)	C.A., M.B.A. M.S.I.A, Ph.D	4	80*	Attended	Director : 1) GGCL 2) CPL 3) BOB	Chairman : a) Shareholders Grievance Committee: 1) GGCL Member b) Audit Committee 2) BPC 3) GGCL 4) CPL c) Remuneration Committee 5) BPC
Prof. K. Vasudeva (upto 4th September, 2003)	B.Chem (Engg), M.Sc. (Tech), Ph.D	5	100*	Attended		Chairman : a) Audit Committee 1) BPC b) Investors'Grievance Committee 2) BPC Member : c) Remuneration Committee 3) BPC

SECL : Surat Electricity Company Ltd., GGCL : Gujarat Gas Company Ltd., CPL : Cadila Pharmaceuticals Ltd., BoB : Bank of Baroda.

* Percentage computed by considering the meetings attended with the total meetings held during his tenure.

** Not a Board member as on the date of AGM.

3. Audit Committee

BPC took the initiative to introduce Corporate Governance in the organisation during the year 1996 itself by constituting the Audit Compliance Committee. The said Committee was reconstituted and renamed as the Audit Committee in the year 2000 and the role, powers and functions of the Audit Committee were specified and approved by the Board.

The Audit Committee comprises all the three Non-executive (Independent) Directors. The quorum for the meetings of the Committee is two members. Prof. K. Vasudeva, Shri P.P. Kaliaperumal and Dr. P.N. Khandwalla, earlier members of the Committee, resigned from the Board w.e.f. 4th September 2003. On their resignation, Prof. A.H. Kalro, Shri V.D. Gupta and Shri P.C. Sen were appointed as members of the Committee. Prof. A.H. Kalro is the Chairman of the Committee and possesses the requisite knowledge of Finance & Accounting for effective functioning of the Audit Committee.

Shri Ashok Sinha, Director (Finance) and Dr. B. Mohanty, Director are permanent invitees at the meetings of the Committee. Shri J. Ravichandran, ED (Audit) coordinates the meetings of the Audit Committee and also attends the said meetings as invitee. In addition, the other Whole-time Directors attend the meetings when the items pertaining to their functions are considered. The Statutory Auditors and Cost Auditors also attend the meetings, on invitation.

The role and responsibilities of the Committee include the following :-

a) Overseeing the Company's Financial Reporting Process and the disclosure of financial information to ensure that the financial statements are correct, sufficient and credible.

b) Recommendation for fixation of Audit Fee.

c) Review with management the Quarterly, Half Yearly and Annual Financial Statements before submission to the Board.

d) Review of adequacy of Internal Control Systems with the management, External and Internal Auditors.

e) Review of adequacy of the Internal Audit function, including the structure of the Internal Audit department etc.

f) Review of findings of the Internal Auditors and the implementation of recommendations on significant audit findings.

g) Review of findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or failure of Internal Control Systems of material nature etc.

h) Review of the nature and scope of audit with the External Auditors before the audit commences and post audit review of areas of concern.

i) Review of the Company's financial and risk management policies.

j) Examining the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders (dividend) and creditors.

Eight meetings of the Audit Committee were held during the financial year on the following dates:-

25th April, 2003	29th May, 2003	4th July, 2003	2nd September, 2003
6th October, 2003	31st October, 2003	30th January, 2004	16th March, 2004

Attendance at the Audit Committee Meetings :-

Names of the members	No. of meetings attended	%	Attendance at the Last Annual General Meeting
Prof. A.H. Kalro Chairman w.e.f. 5th September, 2003	4	100*	Appointed after the Annual General Meeting
Shri V.D. Gupta Member w.e.f. 5th September, 2003	3	75*	Appointed after the Annual General Meeting
Shri P.C. Sen Member w.e.f. 5th September, 2003	3	75*	Appointed after the Annual General Meeting
Prof. K. Vasudeva Chairman upto 4th September, 2003	4	100*	Attended
Dr. P.N. Khandwalla Member upto 4th September, 2003	4	100*	Attended
Shri P.P. Kaliaperumal Member upto 4th September, 2003	4	100*	Attended

* Percentage computed by considering the meetings attended with the total meetings held during his tenure.

The Committee at its meetings held on 31st October, 2003 and 30th January, 2004 reviewed the Half Yearly / Quarterly Financial Statements as on 30th September, 2003 and 31st December, 2003 respectively. Further, the Annual Financial Statements as on 31st March, 2004 were reviewed by the Committee at its meeting held on 14th May, 2004, before the same were submitted to the Board for approval.

4. Remuneration Committee

BPC being a Government Company, appointment and remuneration of Whole-time Directors are determined by the Government through the Ministry of Petroleum & Natural Gas. The Part-time (Ex-Officio) Directors do not receive any remuneration from the Company. The Part-time (Independent) Directors receive sitting fees of Rs.10,000 for each Board / Committee meeting attended by them.

However, BPC has constituted the Remuneration Committee comprising one Part-time (Ex-Officio) Director as the Chairman and two Part-time (Independent) Directors as members, to formulate and review policies related to remuneration / perquisites / incentives to the Whole time Directors and below board level executives.

a) Details of remuneration paid to the Whole-time Directors during the financial year 2003-04 are as follows :-

Names of Directors	All elements of remuneration packages of the Directors i.e. salary, benefits, bonus, pension etc. Rs.	Details of fixed component and performance linked incentives Rs.	Other Benefits Rs.
Shri S. Behuria Chairman & Managing Director	1,006,349	Fixed Comp : 705,537 PLIS : 89,140	211,672
Shri Ashok Sinha Director (Finance)	1,053,302	Fixed Comp : 697,767 PLIS : 87,395	268,140
Shri S.A.Narayan Director (Human Resources)	990,133	Fixed Comp : 676,550 PLIS : 84,376	229,207
Shri S. Radhakrishnan Director (Marketing)	861,718	Fixed Comp : 681,024 PLIS 85,826	94,868
Shri M. Rohatgi Director (Refineries)	916,267	Fixed Comp : 685,641 PLIS : 85,764	144,862

Service Contracts : Five years which is renewable for further similar periods.

Notice period : Three months

BPC has not introduced any Stock Options Scheme

PLIS : Performance Linked Incentive Scheme

b) During the year, the Part-time (Independent) Directors received sitting fees for attending the meetings of the Board / Committees as follows:-

Name of Director	Remuneration (Rs.)
Shri V.D. Gupta	80,000
Shri P.C. Sen	90,000
Prof. A.H. Kalro	90,000
Dr. P.N. Khandwalla	45,000
Shri P.P. Kaliaperumal	45,000
Prof. K. Vasudeva	50,000

5. Investors' Grievance Committee

The Committee, comprising Prof. A.H. Kalro, Director and Shri Ashok Sinha, Director (Finance), monitors the shareholders' / investors' complaints and redressal of their grievances. Prof. A.H. Kalro took over as the Chairman of the Committee on the resignation of Prof. K. Vasudeva. The Committee, at its meeting held on 16th March, 2004,

reviewed the services to the shareholders / investors including response to complaints / communications and expressed its satisfaction on the performance of the Investor Relations department of the Company.

Shri D.M. Naik Bengre, Company Secretary, acts as the Compliance Officer for matters related to investor relations.

During the year, nine complaints were received from the investors through SEBI/ Stock Exchange, Mumbai with regard to non receipt of dividend/ Annual Report and the same were dealt with appropriately to the satisfaction of the investors. Accordingly, there was no pending complaint at the end of the year. One complaint lodged with SEBI by Deutsche Bank for delay in transfer of shares was not resolved, as ownership of the shares involved in the said request for transfer was disputed between the transferor and transferee in the Bombay High Court, which had ordered status quo in the matter. Since the matter was subjudice, SEBI had deleted the complaint from its pending complaint list.

All valid share transfer requests received during the year were duly processed and approved within the stipulated period of 30 days. There was no share transfer request in physical form pending as on 31st March, 2004.

6. Annual / Extraordinary General Meetings

	Date and Time of the Meeting	Venue
48th Annual General Meeting	26th September, 2001 at 11.00 a.m.	Y.B. Chavan Auditorium, Yeshwantrao Chavan Pratishthan, General Jagannath Bhosale Marg, Mumbai 400021
49th Annual General Meeting	25th September, 2002 at 10.30 a.m.	
50th Annual General Meeting	18th August, 2003 at 10.30. a.m.	

During the year 2003-04, there was no occasion to resort to Postal Ballot as no proposal requiring Postal Ballot was proposed for consideration of the shareholders.

6A. Brief Resumes of Directors seeking re-appointment

i) Shri Ashok Sinha, Director (Finance)

Shri Ashok Sinha, Director (Finance) is a B.Tech. (Electrical) from Indian Institute of Technology, Kanpur and M.B.A. from Indian Institute of Management, Bangalore. He has 27 years of experience in the Petroleum Industry. He has been conferred with the India CFO Award- 2001 for Information and Knowledge Management by the Economic Intelligence Unit (EIU) India and American Express. He is also a Director on the Boards of Kochi Refineries Ltd., Numaligarh Refinery Ltd., Petronet LNG Ltd., Bharat Oman Refineries Ltd. and Bharat Shell Ltd.

Shri Ashok Sinha was appointed as Director (Finance) on 22nd November, 1996. He was further re-appointed in the Annual General Meeting held on 29th September, 1997. He is liable to retire by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

ii) Shri S. Radhakrishnan, Director (Marketing)

Shri S. Radhakrishnan is a B.Tech (Mech.) from Indian Institute of Technology, Madras and M.B.A. from Indian Institute of Management, Bangalore. He has wide ranging experience in marketing of petroleum products. Prior to appointment as Director (Marketing), he was holding the position of Managing Director in Bharat Shell Ltd. He is also a Director on the Boards of Kochi Refineries Ltd., Numaligarh Refinery Ltd. and Indraprastha Gas Ltd.

Shri S. Radhakrishnan was appointed as Director (Marketing) on 1st November, 2002. He was further re-appointed in the Annual General Meeting held on 18th August, 2003. He is liable to retire by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

iii) Shri M. Rohatgi, Director (Refineries)

Shri M. Rohatgi is a B.Tech. (Chem.) from Indian Institute of Technology, Delhi and M.B.A. from Faculty of Management Studies, University of Delhi. He has wide experience in Refinery Management. He is also a Director on the Boards of Kochi Refineries Ltd, Numaligarh Refinery Ltd and Bharat Oman Refineries Ltd.

Shri M. Rohatgi was appointed as Director (Refineries) on 14th November, 2002. He was further re-appointed in the Annual General Meeting held on 18th August 2003. He is liable to retire by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

iv) Shri A.K.Srivastava

Shri A.K.Srivastava, Joint Secretary, Ministry of Petroleum & Natural Gas, is a senior Indian Administrative Services (IAS) officer. His educational qualifications include B.E. (Elect.) from Indian Railways Institute of Mechanical and Electrical Engineering, Jamalpur, BE (Mech.) from Council of Engineering Institution, London and Post Graduate Diploma in Management from All India Management Association, New Delhi. He is also a Director on the Boards of Hindustan Petroleum Corporation Limited, GAIL (India) Limited and IBP Co Ltd.

Shri A.K.Srivastava was appointed as Additional Director w.e.f. 16th September, 2003, by the Board of Directors, under the provisions of Article 77A of the Articles of Association of the Company, in accordance with the intention of the Government of India. Being an Additional Director, he holds office up to the date of the Annual General Meeting. The Company has received a notice, u/s 257 of the Companies Act, 1956, from a shareholder, proposing his name as Director of the Company.

v) Shri V.D.Gupta

Shri V.D.Gupta is a B.Sc. Engg (Hons). He has rich experience in various sectors such as Oil, Engineering and Railways for the last 20 years. He retired as General Manager (Western Railways).

Shri V.D.Gupta was appointed as Additional Director w.e.f. 5th September, 2003, by the Board of Directors, under the provisions of Article 77A of the Articles of Association of the Company, in accordance with the intention of the Government of India. Being an Additional Director, he holds office up to the date of the Annual General Meeting. The Company has received a notice, u/s 257 of the Companies Act, 1956, from a shareholder, proposing his name as Director of the Company.

vi) Shri P. C. Sen

Shri P. C. Sen is a B.A. (History) (Hons). He is also an M.A. (History) from Cambridge, U.K. and M.Sc. (Economics) from University of Swansea, U.K. He joined the Indian Administrative Services in 1967 and held various senior positions in different Ministries of the Govt. of India. He was also Managing Director of various Corporations and retired as Chairman & Managing Director of Indian Airlines. At present, he is also a Director of India International Centre.

Shri P.C. Sen was appointed as Additional Director w.e.f. 5th September, 2003, by the Board of Directors, under the provisions of Article 77A of the Articles of Association of the Company, in accordance with the intention of the Government of India. Being an Additional Director, he holds office up to the date of the Annual General Meeting. The Company has received a notice, u/s 257 of the Companies Act, 1956, from a shareholder, proposing his name as Director of the Company.

vii) Prof. A.H. Kalro

Prof. A.H.Kalro is a B.Tech (Hons) (Elect.) from Indian Institute of Technology, Kharagpur, MS and Ph.D in Industrial Engineering from the University of Minnesota, Minneapolis, USA and is a recipient of several scholastic awards. He was Asst. Professor at the University of Minnesota and joined Indian Institute of Management, Ahmedabad in August 1970. He has co-authored three books and has extensive consulting experience with public and private sector organisations. Presently, he is a Director of AES Post Graduate Institute of Business Management. He is also a Director on the Board of Surat Electricity Company Ltd.

Prof. A.H.Kalro was appointed as Additional Director w.e.f. 5th September, 2003, by the Board of Directors, under the provisions of Article 77A of the Articles of Association of the Company, in accordance with the intention of the Government of India. Being an Additional Director, he holds office up to the date of the Annual General Meeting. The Company has received a notice, u/s 257 of the Companies Act, 1956, from a member, proposing his name as Director of the Company.

7. Disclosures and Compliance

Except where the Company has incurred expenses on behalf of joint ventures as co-promoter and the same are recoverable from the joint venture companies, there were no transactions of material nature that may have potential conflict with the interests of the Company at large. The details of 'Related Party Disclosures' are shown in Note 15 forming part of Accounts.

BPC has been particular in adhering to the provisions of the laws and guidelines of regulatory authorities including SEBI and covenants in the agreements with the Stock Exchanges and Depositories. During the last three years there was no instance of non-compliance of any provisions of laws, guidelines from regulatory authorities and the matters related to capital markets.

8, Code of Conduct, Procedure and Disclosures for Prevention of Insider Trading and Code of Corporate Disclosure Practices

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended, the Company has adopted a 'Code of Conduct, Procedure and Disclosures for Prevention of Insider Trading in the Securities of Bharat Petroleum Corporation Limited' and 'Code of Corporate Disclosure Practices'. Shri D.M.Naik Bengre, Company Secretary, has been appointed as the Compliance Officer for implementation of the said Codes.

9. Means of Communication of Financial performance

In order to give wider publicity and to reach the shareholders and other investing public across the nation, the half-yearly and quarterly results were published in various editions of 12 newspapers having wide circulation such as The Economic Times, The Times of India, The Hindu, The Financial Express etc. A report on limited review of the Financial Results for the quarters ended 30th June, 2003, 30th September, 2003, 31st December, 2003 was obtained from the Auditors of the Company and filed with the Stock Exchanges. The Financial Statements for the first quarter ended June 2003, half year ended September 2003 and third quarter ended December 2003 were sent to the individual shareholders at their registered addresses.

Periodical financial performance of the Company is displayed on the website of the Company at www.bharatpetroleum.com and on the Electronic Data Information Filing and Retrieval System (EDIFAR) website launched by SEBI in collaboration with the National Informatics Centre.

10. Management Discussion & Analysis Report

A detailed chapter on Management Discussion & Analysis is enclosed to the Directors' Report.

11. General Shareholder Information

SEBI has included BPC shares for compulsory trading in dematerialised form even for retail investors. Due to special efforts made to educate the shareholders regarding the benefits of holding shares in dematerialised form, the Company has achieved dematerialisation of 98.82% of its free floated shares listed for trading on the Stock Exchanges.

Annual General Meeting : Date, Time and Venue	Monday, 30th August, 2004 at 10.30 a.m. at the Y.B. Chavan Auditorium, Yeshwantrao Chavan Pratishthan, General Jagannath Bhosale Marg, Mumbai 400 021.
Financial Calendar	BPC follows the financial year from April to March. The Unaudited Results for the first three quarters and the Audited Results for the year ended 31st March, 2004 were taken on record by the Board and published on the following dates:-

Quarter Ended	Date of Board Meeting	Date of Publication
Apr-June 2003	31st July, 2003	1st August, 2003
July-Sept 2003	31st October, 2003	1st November, 2003
Oct-Dec 2003	30th January, 2004	31st January, 2004
Year ended		
31st March, 2004	19th May, 2004	20th May, 2004

Dividend Payment Dates

Interim	Payment of Interim Dividend at Rs. 6.00 per share was approved by the Board at its meeting held on 26th December, 2003. The record date for deciding the entitlement of the shareholders/beneficial owners was fixed as 2nd January, 2004 and Dividend was paid as per the entitlements on 8th January, 2004.
Final	The Board has recommended the Final Dividend @ Rs. 11.50 per share for the consideration of the shareholders at the ensuing Annual General Meeting. If approved by the shareholders, the same will be paid on or before 6th September, 2004 to those shareholders whose names will appear in the Register of members maintained by the Company/depositories as on 30th July, 2004.
Date of Book Closure	Friday, 30th July, 2004 to Thursday, 26th August, 2004 (both days inclusive) for the purpose of determining the names of shareholders/beneficial owners who would be entitled to the notice of Annual General Meeting and Final Dividend on equity shares for the year ended 31st March, 2004, if approved by the shareholders.

Listing on Stock Exchanges & Security Codes

The Company's shares are listed on :

Stock Exchange	Security Code
The Stock Exchange, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 002	500547
The National Stock Exchange of India Ltd. Plaza, 5th Floor, Bandra-Kurla Complex, Bandra, Mumbai 400 051	BPCL
The Madras Stock Exchange Ltd. Exchange Building, Post Box No. 183, 11, Second Line Beach, Chennai 600 001	BPO
The Delhi Stock Exchange Association Ltd. DSE House, 3/1 Asaf Ali Road, New Delhi 110 002	02087
The Calcutta Stock Exchange Association Ltd. 7, Lyons Range, Kolkata 700 001	12072

The Listing Fees have been paid for the year 2004-05 to all the above Exchanges.

ISIN Number for NSDL & CDSL

For equity shares	INE029A01011
For 2500-12% Secured Redeemable Non-Convertible Bonds (Series-1 Option 1)	INE029A07018

ISIN Number for NSDL & CDSL	
For 345-9.95% Secured Redeemable Non Convertible Bonds	INE029A08016
For 100-9.90% Secured Redeemable Non Convertible Bonds	INE029A08024
Market Price Data : High, low during each month in the last financial year	Please see Annexure I
Performance in comparison to broad based indices i.e.BSE100	Please see Annexure II
Registrar and Transfer Agents	Share Transfers are handled in-house i.e. at the Investor Relations Department, Bharat Bhavan III, Ground Floor, Walchand Hirachand Marg, Ballard Estate, Mumbai 400001
Share Transfer System	A Committee comprising two Whole-time Directors considers the requests for transfer/ transmission of shares, dematerialisaton of shares etc. A Committee comprising four Directors i.e. two Whole-time Directors and Two Part-time (Ex-officio) Directors considers requests for issue of share certificates. Transfers in physical form are registered after ascertaining objections, if any, from the transferors and no valid transfer applications are kept pending beyond the stipulated period of thirty days. Requests for dematerialization of shares are processed and confirmation is given to the respective depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services India Limited (CDSL) within 15 days.

Distribution of shareholding as on 31st March, 2004

Shareholder	No. of Shares Held	% of Holding
1) Government of India	198600060	66.20
2) Unit Trust of India	10158848	3.39
3) Life Insurance Corporation of India	17743156	5.91
4) Other Financial Institutions/Banks/Mutual Funds	15176032	5.06
5) Foreign Institutional Investors	45910336	15.30
6) Private Corporate Bodies	2617011	0.87
7) Non Resident Indians/Overseas Corporate Bodies	219868	0.07
8) Employees	2853592	0.95
9) Others	6721097	2.25
	300000000	100.00

Distribution of shareholding on number of shares held by shareholders and shareholding pattern are given in Annexure III

Dematerialization of shares and liquidity	Out of the shares held by the shareholders other than the Government, 98.82% are held in dematerialised form as on 31st March, 2004 The Company has not issued any GDRs /ADRs/ Warrants etc.
Plant Locations	Refinery : Bharat Petroleum Corporation Limited Mahul, Mumbai 400 074 Lubricant Plants : Bharat Petroleum Corporation Limited Wadilube Installation Mallet Road, Mumbai - 400 009 Bharat Petroleum Corporation Limited 24, Parganas, Budge - Budge, West Bengal, 743 319
Address for correspondence	Investor Relations Department, Bharat Petroleum Corporation Limited, Bharat Bhavan III, Ground Floor, Walchand Hirachand Marg, Ballard Estate, Mumbai 400 001 Telephone No. 22713001-004

Annexure I

Market Price Data : Prices of BPC shares traded on the Major Stock Exchanges

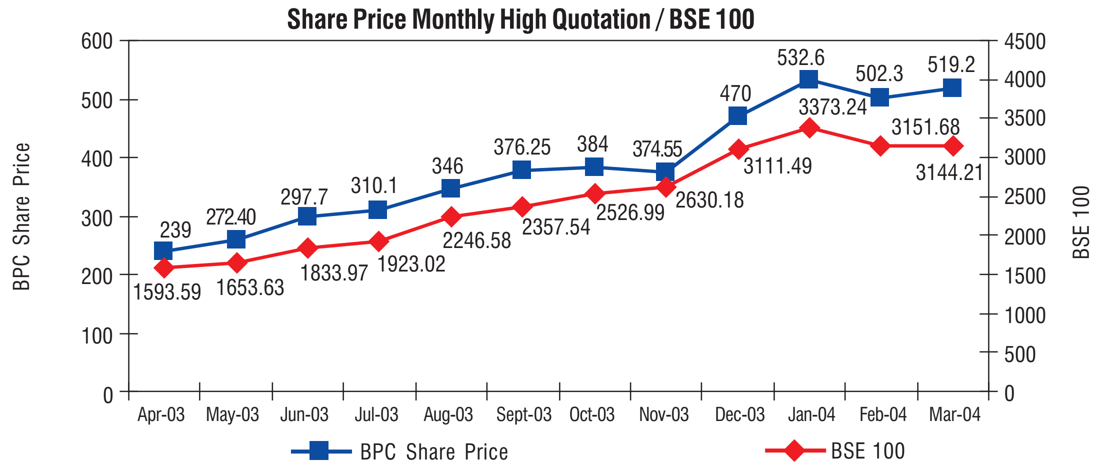
Month(s) (April 2003 - (March 2004)	Mumbai Stock Exchange			National Stock Exchange		
	High (Rs. per share)	Low (Rs. per share)	Monthly Volume	High (Rs. per share)	Low (Rs. per share)	Monthly Volume
April	239.00	220.50	3520327	239.80	220.20	9709982
May	272.40	229.10	7021285	272.70	225.00	19494114
June	297.70	255.00	11037785	295.40	255.25	33071007
July	310.10	245.10	11290952	306.80	240.15	34556753
August	346.00	260.00	9147005	346.00	261.90	29125881
September	376.25	284.90	16015219	376.40	280.00	43540997
October	384.00	314.00	9669747	384.50	313.35	27654446
November	374.55	332.00	6406293	374.80	338.00	16598710
December	470.00	360.00	11180773	466.90	360.00	29675601
January	532.60	426.15	11889875	533.00	428.30	30269276
February	502.30	415.00	7649077	501.95	415.00	20156665
March	519.20	431.55	8078985	519.00	431.00	22832380

Shares traded during 1st April, 2003 to 31st March, 2004

	BSE	**NSE**
No. of Shares traded	112907323	316685812
Highest Share Price	Rs. 532.60 (as on 8.1.2004)	Rs. 533.00 (as on 8.1.2004)
Lowest Share Price	Rs. 220.50 (as on 1.4.2003)	Rs. 220.20 (as on 1.4.2003)
Closing Share price as on 31st March, 2004	Rs. 478.80	Rs. 479.25
Market Capitalisation as on 31st March, 2004	Rs. 143640 million	Rs. 143775 million

Annexure II

PERFORMANCE IN COMPARISON TO BROAD BASED INDICES i.e.BSE 100

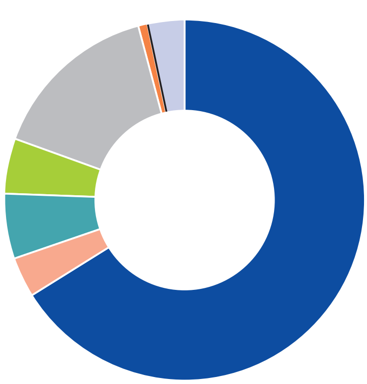


Annexure III

Distribution of Shareholding as on 31st March, 2004

No. of equity shares held	No. of Shareholders	No. of Shares	% to the total
Upto 5000	39785	9501916	3.17
From 5001 10000	82	625217	0.21
From 10001 50000	114	2655855	0.89
From 50001 100000	44	3283993	1.09
From 100001 500000	56	13586523	4.53
From 500001 1000000	14	9257543	3.09
From 1000001 2000000	9	11874311	3.96
From 2000001 3000000	5	12792702	4.26
From 3000001 & above	7	236421940	78.80
	40116	300000000	100.00

SHAREHOLDING PATTERN OF BPC AS ON 31ST MARCH 2004 (Percentage)



- 66.20% Govt. of India
- 3.39% Unit Trust of India
- 5.91% Life Insurance Corporation of India
- 5.06% Other Financial Institutions/Banks / Mutual Funds
- 15.30% Foreign Institutional Investors
- 0.87% Private Corporate Bodies
- 0.07% NRI/OCBS
- 3.20% Others

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of
Bharat Petroleum Corporation Limited

We have examined the compliance of conditions of Corporate Governance by Bharat Petroleum Corporation Ltd., for the year ended 31st March, 2004, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the abovementioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained by the Investor Grievance Committee, there were no investor grievances against the Company remaining unattended / pending for more than 30 days except in one case, wherein transfer of certain shares remains to be effected consequent to restraint order and injunction of the Bombay High Court.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **V.SANKAR AIYAR & CO.**
Chartered Accountants

sd/-
S. VENKATRAMAN
Partner

Place : Mumbai
Date : 27th July, 2004

ANNEXURE C

Particulars of Employees under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 for the year ended 31st March, 2004

Sr. No.	Name	Qualification	Age	Designation / Nature of Duties	Date of Commencement of Employment	Experience (No. of Years)	Remuneration	Particulars of Last Employment	Period - Years
1.	Shri R.K.Singhal	B.Sc.(Engg.)	47	Territory Manager (Retail)	10th January,1983	21	Rs. 3,343,719	Engineering Project Executive N.E.I. Ltd (NBC), Jaipur	3

The Remuneration includes, apart from regular salary, Company's contribution to Provident & Pension Funds, medical expenses.

There is no employee who is in receipt of remuneration in excess of that drawn by Chairman & Managing Director/ Whole-time Director / Manager and holds not less than 2% of the equity shares of the Company.

The above employee is not related to any Director.

ANNEXURE D

Statement showing the total number of Employees and the number of Scheduled Castes, Scheduled Tribes and Other Backward Classes amongst them as on 1st January, 2004

Group/ Class		Total No. of Employees	Scheduled Castes	Percentage to Total Employees	Scheduled Tribes	Percentage to Total Employees	Other Backward Classes	Percentage to Total Employees
(1)		(2)	(3)	(4)	(5)	(6)	(7)	(8)
A	(I) Other than lowest rung of Group A	2967	481	16.21	157	5.29	109	4.74
	(ii) Lowest rung of Group A	785	116	14.77	38	4.84	69	4.84
B		2710	413	15.24	171	6.31	47	1.73
C		3138	576	18.36	219	6.98	129	4.04
D (excluding Safai Karamcharis)		2790	555	19.89	180	6.45	276	9.89
D (Safai Karamcharis)		91	55	60.44	6	6.59	8	8.79

Group/Class: A - Management; B/C = Skilled/Semi Skilled Workmen; D = Unskilled Workmen

Note: Reservations for OBCs implemented w.e.f. 8th September, 1993

Statement showing the total number of Employees and the number of Scheduled Castes (SC) and Scheduled Tribes (ST) -
(a) Position as on 1st January, 2004

Group/Class	Total No. Of Employees	EMPLOYEES BELONG TO		
		Other Community	SC	ST
(1)	(2)	(3)	(4)	(5)
A	3752	2960	597	195
B	2710	2126	413	171
C	3138	2343	576	219
D (Excl. Safai Karamcharis)	2790	2055	555	180
D (Safai Karamcharis)	91	30	55	6

(b) Particulars of Recruitment During the Period 1st January, 2003 to 31st December 2003

Vacancies Notified During The Period				Vacancies Filled By		
Group / Class	Other Community	SC	ST	Other Community	SC	ST
(1)	(2)	(3)	(4)	(5)	(6)	(7)
A	120	22	9	125	20	6
B	4	1	—	4	1	—
C	—	—	—	—	—	1
D (Excl. Safai Karamcharis)	2	1	1	2	1	1
D (Safai Karamcharis)	—	—	—	—	—	—

Statement showing the Number of Reserved Vacancies filled by Members of Scheduled Castes and Scheduled Tribes during the year 2003

Group/ Class of Posts	Total No. of Vacancies Occurred	Total No. of Vacancies Actually Filled	No. of Vacancies Reserved for Scheduled Castes		No. of SCs Candidates Appointed	No. of SCs Vacancies Carried Forward from the Previous Year		No. of STs Candidates Appointed against Vacancies Reserved for SCs in the 3rd Yr. of Carry Forward
			Out of col. 2	Out of col. 3		Excess +	Shortfall –	
1	2	3	4	5	6	7		8
POSTS FILLED BY DIRECT RECRUITMENT								
Group "A"	151	151	22	22	20		1	-
Group "B"	5	5	1	1	1	41		-
Group "C"	-	-	-	-	-	73		-
Group "D" (Excl. Safai Karmacharis)	4	4	1	1	1	198		-
D (Safai Karmacharis)	-	-	-	-	-	51		-
POSTS FILLED BY PROMOTION								
Group "A"	5	5	1	1	-	-	6	-
Group "B"	4	4	1	1	1	-	3	-
Group "C"	19	19	1	1	1	86	-	-

No. of Reservations lapsed after Carrying Forward for Three Years	No. of Vacancies Reserved for Scheduled Tribes		No. of STs Candidates Appointed	No. of STs Vacancies Carried Forward from the Previous Year		No. of SCs Candidates Appointed against Vacancies Reserved for STs in the 3rd Yr. of Carry Forward	No. of Reserva-tions Lapsed after Carrying Forward for Three Years	Remarks
	Out of col. 2	Out of col. 3		Excess +	Shortfall –			
9	10	11	12	13		14	15	16
-	9	9	6		3	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	6	-	-	-
-	1	1	1	-	11	-	-	-
-	-	-	-	2		-	-	-
-	-	-	-		11	-	-	-
-	-	-	-	-	9	-	-	-
-	-	-	1	19	-	-	-	-

ANNEXURE E

Review of the accounts of Bharat Petroleum Corporation Ltd. for the year ended 31st March 2004, by the Comptroller and Auditor General of India

Note : Review of accounts has been prepared without taking into account comments under section 619(4) of the Companies Act 1956.

1. Financial Position

The table below summarises the financial position of the Company under broad headings for the last three years :

(Rupees in million)

			2001-02	2002-03	**2003-04**
LIABILITIES					
(a)	**Paid Up Capital**		3,000.00	3,000.00	**3,000.00**
	(i)	Government	1,986.00	1,986.00	**1,986.00**
	(ii)	Others	1,014.00	1,014.00	**1,014.00**
(b)	**Reserves & Surplus**				
	(i)	Free Reserves & Surplus	36,315.40	41,745.99	**51,069.01**
	(ii)	Share Premium Account	—	—	—
	(iii)	Capital Reserve	8.36	8.29	**8.22**
	(iv)	Debenture Redemption Reserve	650.00	2,720.00	**4,420.00**
(c)	**Borrowings**				
	(i)	From Government of India *	26.84	3.18	—
	(ii)	From Financial Institutions	—	—	—
	(iii)	Foreign Currency Loans	—	—	—
	(iv)	Cash Credit	15,265.91	17,445.05	**12,761.80**
	(v)	Others	23,164.21	15,383.28	**14,109.80**
	(vi)	Interest accrued and due	30.44	27.08	**25.61**
**Relending of World Bank Loan*					
(d)	(i)	**Current Liabilities & Provisions**	48,098.92	77,871.52	**81,762.62**
	(ii)	**Provision for retirement benefits**	1,413.29	2,074.17	**2,338.53**
	(iii)	**Deferred tax liability (net)**	6,988.97	7,465.56	**8,223.95**
TOTAL			**134,962.34**	**167,744.12**	**177,719.54**

(Rs. in million)

		2001-02	2002-03	**2003-04**
ASSETS				
(e)	Gross Block	92,806.14	99,732.88	**111,580.95**
(f)	Less : Cumulative Depreciation	41,206.55	45,689.18	**51,122.69**
(g)	Net Block	51,599.59	54,043.70	**60,458.26**
(h)	Capital Work-in-progress	4,416.48	9,618.45	**14,076.54**
(i)	Investments	23,394.43	21,062.12	**19,769.71**
(j)	Current Assets, Loans & Advances			
	(i) Inventories	29,120.91	44,035.80	**42,860.23**
	(ii) Sundry Debtors	9,829.04	8,428.52	**8,210.74**
	(iii) Cash & Bank balances	3,445.09	6,742.56	**6,266.05**
	(iv) Loans & Advances	13,144.32	23,801.37	**26,075.19**
	(v) Other Current Assets	12.48	11.60	**2.82**
		55,551.84	83,019.85	**83,415.03**
(k)	Misc. expenditure not written off	—	—	—
(l)	Accumulated loss	—	—	—
	TOTAL	**134,962.34**	**167,744.12**	**177,719.54**
(m)	Working Capital [j–d(i) – c(vi)]	7,422.48	5,121.25	**1,626.80**
(n)	Capital Employed (g + m)	59,022.07	59,164.95	**62,085.06**
(o)	Net Worth [a + b(i) + b(ii) + b(iv) – k – l]	39,965.40	47,465.99	**58,489.01**
(p)	Networth per Rupee of paid up capital (in Rupees)	13.32	15.82	**19.50**

2. Ratio Analysis

Some important financial ratios on the financial health and working of the Company at the end of last 3 years are as under:

(in Percentage)

		2001-02	2002-03	**2003-04**
A.	**Liquidity Ratio**			
	i) Current Ratio [j / (d(i) + c(vi)]	115.42	106.57	**101.99**
	ii) Current assets to total net assets	41.16	49.49	**46.94**
	iii) Working capital to capital employed	12.58	8.66	**2.62**
B.	**Debt Equity Ratio**			
	[c(i to v but excluding short term loans)/o]	40.51	32.42	**19.22**

(in Percentage)

	2001-02	2002-03	**2003-04**
C. Profitability Ratios			
a) Profit before tax to			
i) Capital employed	22.48	33.69	**42.45**
ii) Net Worth	33.20	42.00	**45.06**
iii) Sales including excise duty	3.33	4.11	**4.93**
b) Profit after tax to Equity (o)	21.26	26.34	**28.97**
c) Earnings per share (in Rupees)	28.33	41.67	**56.49**

3. Reserves & Surplus

The reserves and surplus of the Company were 19 times its paid up capital as on 31st March, 2004 as against 15 times as on 31st March, 2003 and 12 times as on 31st March, 2002.

4. Investments

The Company's investments reduced from Rs. 21062.12 million as at the end of 31st March, 2003 to Rs. 19769.71 million as at the end of 31st March, 2004. The reduction is mainly due to the sale of 6.96% Oil Companies Special Bonds 2009 worth Rs. 2000.00 million.

As against weighted average cost of borrowings of 7.89% (5.06% post tax), the weighted average yield on investments during the year was 11.76% (7.54% post tax).

5. Sources and Utilisation of Funds

Funds amounting to Rs. 28567.82 million from internal and external sources were realised as well as utilised during the year as per details given below :

(Rupees in million)

Sources of Funds		
Funds generated from operation :		
Profit after tax	16,945.68	
Add : Depreciation including amortisation	5,618.00	
Add : Deferred tax	758.39	
Add : Loss on sale of assets	1.62	23,323.69
Sale/write off of fixed assets		192.92
Sale of Investments		1,292.41
Decrease in working capital		3,758.80
Total		28,567.82

Utilisation of Funds	(Rupees in million)
Addition to fixed assets/capital work in progress	16,685.25
Dividend	5,922.66
Decrease in loan funds	5,959.91
Total	28,567.82

6. Working Capital

The working capital of the Company as on 31st March 2002, 2003 and 2004 was Rs. 7422.48 million, Rs. 5121.25 million and Rs. 1626.80 million respectively. The decrease in working capital during the current year was mainly due to increase in Current Liabilities and Provisions and reduction in Inventory holdings offset to an extent by the Loans & Advances.

7. Working Results

The working results of the Company during the last three years are given below :

(Rupees in million)

		2001-02	2002-03	**2003-04**
a)	Net Sales (excluding excise duty)	354,925.51	430,139.12	**482,899.74**
b)	Profit before tax	13,267.84	19,935.37	**26,355.15**
c)	Profit after tax excluding dividend tax	8,498.30	12,500.28	**16,945.68**

8. Inventory

The inventory position as at the end of last three years is as follows :

(Rupees in million)

		2001-02	2002-03	**2003-04**
i)	Raw Materials	2,451.08	2,761.32	**4,448.04**
ii)	Stores & Spares (including in transit)	590.02	538.57	**510.13**
iii)	Stock-in-Process	458.31	1,139.24	**817.47**
iv)	Finished Goods	25,570.56	39,556.40	**37,037.83**
v)	Packages	50.94	40.27	**46.76**

a) The stock of raw materials at the close of each year was equivalent to about 0.6 month's consumption in 2003-04 as against 0.3 month's in 2002-03 and 0.4 month's in 2001-02.

b) The stores and spares (including packages) at the end of 2003-04 represented 5.2 months' consumption as against 5.5 months' in 2002-03 and 5.6 months' in 2001-02.

c) Finished Goods at the end of the year amounted to about 0.83 month's sales during 2003-04 as against 0.98 months' in 2002-03 and 0.77 months' in 2001-02.

9. Sundry Debtors

a) The position of sundry debtors for the last three years ending 31st March, 2004 is as follows:

Year	Sundry Debtors (Rs. in Million)	Debts considered doubtful & provided for (Rs. in Million)	Percentage of Debtors to sales (including excise duty)
2001-02	11075.37	1246.33	2.78
2002-03	10573.10	2144.58	2.18
2003-04	**10669.46**	**2458.72**	**2.00**

b) The following table indicates the debts outstanding for more than one year as on 31st March, 2004.

(Rupees in million)

	Department / Undertakings	Others
(i) Debts outstanding for more than one year but less than two years.	455.49	91.88
(ii) Debts outstanding for more than two years but less than three years	146.10	1,094.08
(iii) Debts outstanding for three years and more	562.83	721.31

10. Dues receivable from/payable to Petroleum Planning & Analysis Cell (PPAC)

As of March 2004, the Company has an amount of Rs. 11556.38 million receivable from PPAC towards various regular settlements. The amount of net outstanding claims/(surrender) as at the end of 3 years is given below.

(Rupees in million)

Year	**Balance Claims/ (Surrenders)**	**Interest**	**Total Amount**
2001-02	2,365.63	628.32	2,993.95
2002-03	10,799.03	628.32	11,427.35
2003-04	**10,928.06**	**628.32**	**11,556.38**

11. Dividend

The Company has declared an interim dividend of 60% and also recommended a final dividend of 115% for the year 2003-04, as against an interim dividend of 20% and a final dividend of 130% for 2002-03. The dividend payout ratio, calculated as a percentage of total dividend paid / proposed (including dividend tax) to profit after tax during the last three years ended 31st March, 2004 was 34.95, 40.0 and 38.8 respectively.

Sd/-
B. B. PANDIT
Principal Director of Commercial Audit &
ex-officio Member, Audit Board II, Mumbai

Mumbai
6th July, 2004

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA U/S 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF BHARAT PETROLEUM CORPORATION LIMITED FOR THE YEAR ENDED 31ST MARCH, 2004.

I have to state that the Comptroller and Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act, 1956 on the accounts of Bharat Petroleum Corporation Limited for the year ended 31st March, 2004.

Sd/-

BHARAT BHUSHAN PANDIT

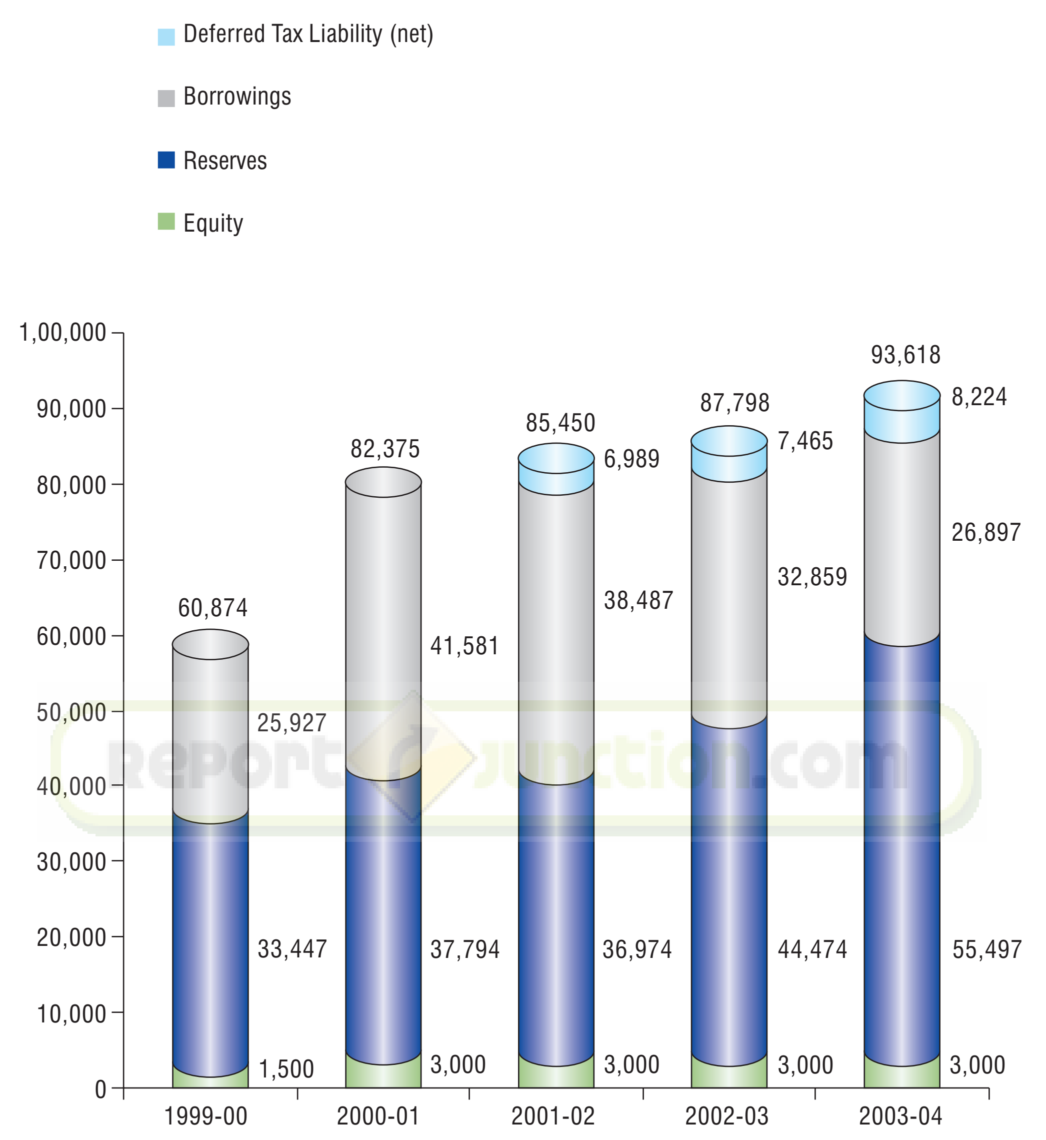
Principal Director of Commercial Audit &

ex-officio Member, Audit Board-II, Mumbai.

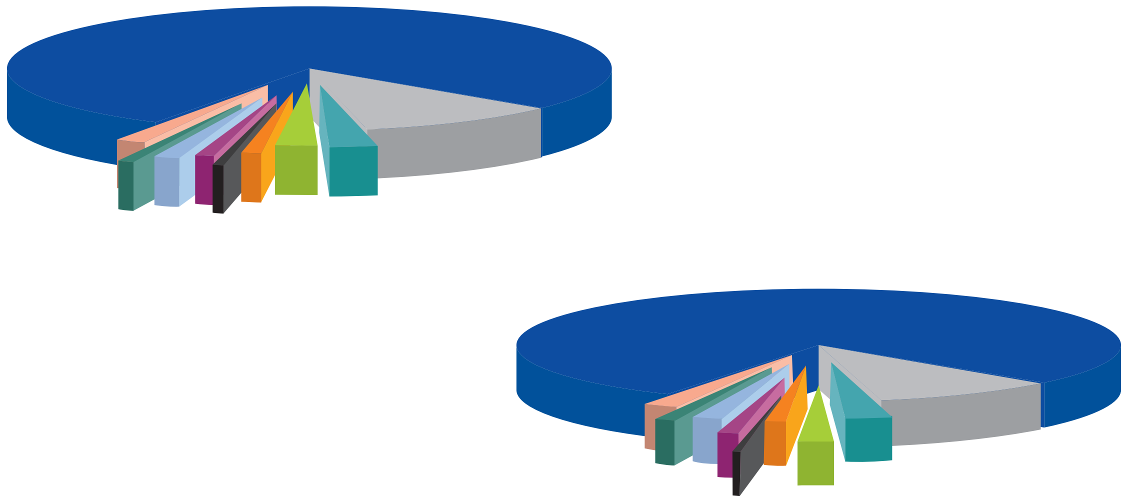
Mumbai

6th July, 2004

TOTAL FUNDS EMPLOYED (Rs. in Million)



DISTRIBUTION OF EACH RUPEE EARNED



2002-2003	2003-2004	
77.76	78.32	Raw Materials, Purchase of Products for resale and packages
10.90	10.15	Duties, Taxes etc.
2.55	2.36	Transportation
2.00	1.94	Stores and other operating expenses
1.32	1.23	Employees' remuneration and other benefits
0.50	0.19	Interest on Borrowings
0.99	1.04	Depreciation
1.52	1.75	Income Tax
0.92	0.97	Dividend
1.54	2.05	Retained Profits

PERFORMANCE PROFILE

		2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
1.	**Crude Oil Processed (000 Tonnes)**								
	Imported	**4543**	3230	3587	2743	2546	1731	1222	1486
	Indigenous	**4214**	5481	5183	5919	6323	7205	6720	6108
	TOTAL	**8757**	8711	8770	8662	8869	8936	7942	7594
2.	**Production Quantity (000 KL)**	**10210**	10291	10355	10348	10643	10861	9648	8986
	Light Distillates %	**33.27**	34.32	33.51	34.74	32.69	34.85	34.47	32.54
	Middle Distillates %	**49.13**	50.73	50.45	49.43	53.45	53.90	54.29	55.23
	Heavy Ends %	**17.60**	14.95	16.04	15.83	13.86	11.25	11.24	12.23
3.	**Fuel and Loss as % of Crude Processed**	**5.7**	5.6	5.6	5.4	4.9	4.5	4.8	4.8
4.	**Aromatics Production (MT)**								
	Benzene	**43178**	69798	56360	75293	76351	70496	57169	81533
	Toluene	**12759**	20013	16610	16344	19569	16990	18664	20689
5.	**Market Sales (000 KL)**	**26612**	25735	24766	24894	24193	22348	20847	20097
6.	**Lubricants Production (MT)**	**101245**	112730	99875	96624	100396	102684	86951	69164
7.	**Market Participation %**	**22.1**	22.0	21.5	21.4	20.7	20.6	20.5	20.4
8.	**Marketing Network**								
	Installations	**12**	17	19	19	19	16	16	16
	Depots	**129**	153	171	164	146	131	128	131
	Aviation Service Stations	**19**	19	19	19	19	16	15	16
	Total Tankages (Million KL)	**3.08**	3.13	3.23	2.94	2.88	2.72	2.30	1.81
	Retail Outlets	**5530**	4854	4711	4562	4489	4423	4407	4373
	Number of LPG Bottling Plants	**42**	40	40	38	32	27	21	19
	LPG Distributors	**1922**	1828	1729	1421	1345	1200	1179	1146
	LPG Customers (No. Million)	**19.43**	16.99	15.28	13.80	11.40	9.11	8.03	6.93
9.	**Manpower (Nos.)**	**12434**	12494	12586	12670	12638	12264	12094	11704
10.	**Sales and Earnings (Figures in Rs. Million)**								
	i) Sales and Other Income *	**529,828**	475844	425597	471532	358911	258299	209187	181564
	ii) Gross Profit before Depreciation, Interest & Tax	**33016**	27204	21144	20332	17377	15568	12143	9775
	iii) Depreciation	**5612**	4809	4810	6645	6154	4040	3824	2258
	iv) Interest	**1050**	2459	3066	2556	1854	1745	1122	821
	v) Profit before Tax	**26355**	19935	13268	11131	9369	9783	7197	6696
	vi) Tax	**9284**	7281	4911	2930	2330	2770	1870	2370
	vii) Excess/(Short) provision for Taxation in earlier years written back/provided for	**(125)**	(154)	141	126	(22)	48	(113)	(250)
	viii) Profit after Tax #	**16946**	12500	8498	8327	7017	7061	5214	4076

* Figures from 1986-87 includes Sales to Other Oil Companies.
# After adjusting prior period tax.

	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985-86	1984-85	1980-81	1976
	1110	1891	2610	2685	2062	1397	1008	623	1204	105	67	175	1268	3596
	6240	5491	4596	4550	4900	5514	6024	5535	5352	5467	6311	5279	3603	159
	7350	7382	7206	7235	6962	6911	7032	6158	6556	5572	6378	5454	4871	3755
	8816	8788	8644	8653	8372	8329	8525	7367	7858	6667	7574	6619	5769	4312
	33.27	32.29	31.20	31.49	32.29	30.87	31.09	29.29	27.83	27.78	28.08	25.75	22.22	19.97
	54.74	54.62	53.59	53.88	54.95	55.70	57.07	60.12	59.38	60.39	59.35	54.36	55.66	55.93
	11.99	13.09	15.21	14.63	12.76	13.43	11.84	10.59	12.79	11.83	12.57	19.89	22.12	24.10
	5.6	5.4	4.7	4.2	4.2	4.5	4.5	5.6	5.6	5.8	6.2	4.5	4.9	5.7
	60575	57511	22037	56612	69564	68426	56499	59624	45928	18603	20112	0	0	0
	13182	13437	7047	11070	9048	10877	8843	7494	8414	4948	4455	0	0	0
	18731	16740	15306	14443	13551	13101	12836	11720	10720	9899	9410	8789	6473	4519
	67876	66681	74154	82911	95091	87459	94672	92725	84691	74763	72414	69425	60813	40939
	20.3	20.2	20.0	19.5	18.8	18.9	18.9	18.7	18.5	18.3	18.7	18.3	17.2	15.3
	16	16	16	14	12	10	10	10	9	9	8	8	7	5
	122	118	117	98	94	83	78	69	69	65	62	60	57	61
	16	16	14	14	13	13	13	12	11	9	8	8	3	2
	1.62	1.57	1.52	1.37	1.17	1.01	0.91	0.87	0.74	0.75	0.67	0.66	0.66	0.61
	4312	4214	4090	4040	4005	3965	3894	3822	3741	3663	3567	3486	3311	3183
	18	16	16	15	15	15	15	14	8	4	2	2	—	—
	1062	948	866	816	793	767	740	704	651	616	518	409	154	90
	6.02	5.37	4.78	4.35	4.05	3.77	3.61	3.31	3.03	2.70	2.32	1.96	0.59	0.49
	11499	11207	11299	11167	11158	11029	10616	10578	10203	9397	8321	7894	5808	4847
	150234	133863	115203	102349	88828	73951	60816	54762	50797	44878	31650	26642	15124	6728
	9101	7618	5456	4735	4028	3488	3010	2424	1903	1843	1772	930	394	103
	2179	2603	1365	1431	1031	961	1030	789	635	816	776	533	125	24
	394	437	467	383	442	372	314	334	338	342	307	189	38	19
	6528	4578	3624	2921	2555	2155	1666	1301	930	685	689	208	231	60
	2670	1690	1470	1220	1070	877	440	258	150	82	76	70	127	43
	-	33	21											
	3858	2921	2175	1701	1485	1278	1226	1043	780	603	613	138	104	17

PERFORMANCE PROFILE (Contd.)

	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
11. What the Company Owned (Rs. Million)								
i) Gross Fixed Assets (including Capital Work-in-Progress)	**125657**	109351	97222	88235	76295	62228	50463	39491
ii) Net Fixed Assets (including Capital Work-in-Progress)	**74535**	63662	56016	51663	45916	37886	30050	22762
iii) Net Current Assets (including Investments)	**19083**	24136	29434	30712	14958	9004	9832	11695
Total Assets Net (ii + iii)	**93618**	87798	85450	82375	60874	46890	39882	34457
12. What the Company Owed (Rs. Million)								
i) Share Capital	**3000**	3000	3000	3000	1500	1500	1500	1500
ii) Reserves and Surplus	**55497**	44474	36974	37794	33447	28718	23738	19349
iii) Net Worth (i + ii)	**58497**	47474	39974	40794	34947	30218	25238	20849
iv) Borrowings	**26897**	32859	38487	41581	25927	16672	14644	13608
v) Deferred Tax Liability (net)	**8224**	7465	6989	-	-	-	-	-
Total Funds Employed (iii + iv + v)	**93618**	87798	85450	82375	60874	46890	39882	34457
13. Internal Generation (Rs. Million)	**17399**	12763	10998	12306	10894	8990	8227	5782
14. Value Added (Rs. Million)	**57743**	52031	43716	41448	36925	30018	24447	20769
15. Earnings in Foreign Exchange (Rs. Million)	**13204**	11913	6554	8700	5730	2993	3567	4172
16. Ratios								
i) Gross Profit before Depreciation, Interest & Tax as % age of Sales and Other Income	**6.1**	5.6	5.3	4.4	5.2	7.1	10.1	9.1
ii) Profit after Tax as % age of average Net Worth	**32.0**	28.6	21.0	22.0	21.5	25.5	22.6	21.4
iii) Profit after Tax as % age of Share Capital	**564.9**	416.7	283.3	277.5	467.8	470.7	347.6	271.7
iv) Average Net Worth as % age of Share Capital	**1766.2**	1457.5	1346.1	1262.4	2172.2	1848.5	1536.2	1272.2
v) Gross Profit before Depreciation, Interest & Tax as % age of Capital Employed	**41.5**	34.8	26.1	26.7	31.1	38.5	34.0	33.0
vi) Profit before Tax as % age of Capital Employed	**33.1**	25.5	16.4	14.6	16.8	24.2	20.1	22.6
vii) Profit After Tax as % age of Capital Employed (ROCE)	**21.3**	16.0	10.5	10.9	12.5	17.4	14.6	13.8
viii) Debt Equity Ratio	**0.46**	0.69	0.96	1.02	0.7	0.6	0.6	0.7
17. Earning per Share (Rupees)								
— Pre-Bonus #	**112.97**	83.34	56.65	55.51	46.78	47.07	34.76	27.17
— Post-Bonus #	**56.49**	41.67	28.33	27.76				
18. Book Value per Share (Rupees)	**194.99**	158.25	133.25	135.98@	232.98	201.45	168.25	139.00

* Issue of Bonus Shares in the ratio 2:1.
\# After adjusting prior period tax.
@ On Post-Bonus Capital.

1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985-86	1984-85	1980-81	1976
32502	27907	23685	20566	17525	15234	13246	11224	9549	7518	6005	4947	963	461
17940	15455	13741	11928	10237	8940	7873	6832	5991	4276	3596	3292	471	226
4622	2578	1838	839	1238	1139	802	314	142	908	1093	583	869	259
22562	18033	15579	12767	11475	10079	8675	7146	6133	5184	4689	3875	1340	485
1500	1500	500	500	500	500	500	279	279	279	279	166	145	145
15818	12455	11021	9010	7475	6140	4962	4057	3070	2062	1496	1035	498	190
17318	13955	11521	9510	7975	6640	5462	4336	3349	2341	1775	1201	643	335
5244	4078	4058	3257	3500	3439	3213	2810	2784	2843	2914	2674	697	150
-	-	-	-	-	-	-	-	-	-	-	-	-	-
22562	18033	15579	12767	11475	10079	8675	7146	6133	5184	4689	3875	1340	485
5544	5032	3376	2967	2366	2139	2154	1855	1358	1425	1350	650	212	26
19555	15622	9261	8886	7863	6820	4813	4994	3873	3405	2922	2235	1008	281
3610	2724	2362	2042	1600	1971	1361	1199	1100	1156	1030	877	1	22
9.6	9.3	8.4	7.8	7.0	6.6	6.1	5.5	4.7	5.2	7.5	4.3	3.2	1.8
24.7	22.9	20.7	19.5	20.3	21.1	25.0	28.4	26.7	29.3	41.2	12.1	17.4	6.7
257.2	194.8	435.1	340.1	296.9	255.6	245.1	391.7	273.0	216.7	220.2	83.3	71.8	11.5
1042.4	849.2	2103.1	1748.5	1461.5	1210.2	979.8	1379.7	1021.5	738.9	534.3	689.8	412.4	170.9
45.9	50.6	43.1	47.8	44.1	46.5	45.5	44.3	48.4	51.1	49.0	37.5	33.5	21.8
33.0	30.4	28.6	29.5	28.0	28.7	25.2	23.8	23.7	19.0	19.0	8.4	19.7	12.6
19.5	19.4	17.2	17.2	16.3	17.0	18.5	19.9	19.4	16.7	16.9	5.6	8.9	3.5
0.3	0.3	0.4	0.3	0.4	0.5	0.6	0.6	0.8	1.2	1.6	2.2	1.1	0.4
25.72	19.48*	43.51	34.01	29.69	25.56	24.51	37.45	28.01	21.71	22.01	6.07	4.68	0.72
115.45	93.04@	230.42	190.21	159.49	132.80	109.24	155.69	120.23	84.04	63.74	52.23	27.97	14.56

SOURCES AND APPLICATION OF FUNDS

	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
SOURCES OF FUNDS								
OWN								
Profit after Tax *	**16946**	12500	8498	8326	7017	7061	5214	4076
Depreciation	**5618**	4785	4829	6459	6165	4011	3838	2251
Investment	**1292**	2332	—	—	231	5139	—	—
Shareholders' Investment	—	—	—	—	—	—	—	—
Deferred Tax Provision	**758**	477	971	—	—	—	—	—
BORROWINGS								
Loans (net)	—	—	—	15655	9254	2029	1036	8364
LPG Deposits	**2381**	1827	1981	3847	3449	1683	2473	1205
Decrease in Working Capital	**1379**	1138	8618	—	—	—	7746	—
Adjustment on account of Deletion/Re-classification etc.	**34**	63	59	141	28	17	25	18
	28409	23123	24956	34428	26144	19940	20332	15914
APPLICATION OF FUNDS								
Capital Expenditure	**16525**	12494	9241	12347	14223	11865	11151	7091
Dividend	**5250**	4500	3300	2250	1875	1875	750	495
Tax on distributed profits	**673**	500	—	230	413	206	75	49
Repayment of Loans (net)	**5961**	5629	3094	—	—	—	—	—
Investment	—	—	9321	8638	—	—	8356	790
Increase in Working Capital	—	—	—	10963	9633	5994	—	7489
	28409	23123	24956	34428	26144	19940	20332	15914

* After adjusting prior period tax.

	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985-86	1984-85	1980-81	1976 (Rs. Million)
	3858	2921	2175	1701	1485	1278	1226	1043	780	603	613	138	104	17
	2181	2605	1366	1431	1031	961	1028	868	634	861	776	535	128	24
	765	—	—	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	—	—	—	171
	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	1166	20	802	—	62	226	403	25	—	—	240	746	620	115
	971	788	520	254	373	176	285	214	222	276	328	260	12	11
	—	—	—	539	—	—	—	—	546	—	—	—	—	—
	51	38	8	41	12	2	26	19	5	—	27	3	1	(75)
	8992	6372	4871	3966	2963	2643	2968	2169	2187	1740	1984	1682	865	263
	4718	4348	3187	3162	2340	2030	2095	1728	2071	1538	1107	1544	231	26
	495	495	165	165	150	100	100	56	56	39	39	23	20	15
	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	245	—	—	—	—	60	71	—	—	—	—
	—	922	722	394	67	275	21	10	—	—	—	6	—	1
	3779	607	797	—	406	238	752	375	—	92	838	109	614	221
	8992	6372	4871	3966	2963	2643	2968	2169	2187	1740	1984	1682	865	263

SALES VOLUME ('000 MT)

	2003-04 Sales	**2003-04 Market Share (%)**	2002-03 Sales	2002-03 Market Share (%)	2001-02 Sales	2001-02 Market Share (%)	2000-01 Sales	2000-01 Market Share (%)	1999-00 Sales	1999-00 Market Share (%)
Light Distillates :										
Naphtha	**1373**	**19.4**	1263	17.2	1379	17.2	1326	16.4	1203	15.4
LPG (Bulk & Packed)	**2329**	**25.6**	2030	24.9	1788	24.5	1612	24.3	1431	24.2
Motor Spirit	**2453**	**30.9**	2384	31.3	2192	31.2	2062	31.1	1825	30.8
Special Boiling Point Spirit/Hexane	**30**	**19.0**	34	38.2	36	37.2	46	43.8	48	40.5
Benzene	**46**	**52.9**	66	55.0	59	60.8	78	53.8	74	52.7
Toluene	**8**	**20.7**	19	30.2	17	31.5	15	24.6	20	25.8
Polypropylene Feedstock	**17**		5		3		4		3	
Others	**82**		54		30		28		20	
Sub Total	**6338**		5855		5504		5171		4624	
Middle Distillates :										
Aviation Turbine Fuel	**566**	**22.5**	517	22.4	506	22.3	509	22.6	486	22.1
Superior Kerosene Oil	**1614**	**16.7**	1656	16.6	1653	15.9	1791	16.4	1786	16.4
High Speed Diesel	**9023**	**24.3**	8853	24.1	8743	23.9	9237	24.2	9214	23.5
Light Diesel Oil	**146**	**12.3**	181	12.6	132	10.9	152	10.6	171	12.9
Mineral Turpentine Oil	**93**	**41.7**	101	42.1	94	44.8	101	45.3	122	50.2
Sub Total	**11442**		11308		11128		11790		11779	
Others :										
Furnace Oil	**1366**	**19.1**	1331	19.6	1281	18.5	1238	19.4	1168	16.7
Low Sulphur Heavy Stock	**741**	**16.1**	801	17.0	711	15.3	607	12.2	586	12.3
Bitumen	**371**	**10.9**	444	15.8	421	17.4	440	16.6	414	16.4
Lubricants	**111**	**12.6**	117	12.3	105	12.8	99	12.3	104	11.7
Sub Total	**2589**		2693		2518		2384		2272	
Grand Total	**20369**	**22.07**	19856	22.0	19150	21.5	19345	21.4	18675	20.7

Note: Market Share is based on Sales Volumes of Public Sector Oil Companies.

PRODUCTION ('000 MT)

	2003-04	2002-03	2001-02	2000-01	1999-00
Light Distillates :					
Naphtha	**1106**	1072	1085	1111	1118
LPG	**367**	377	353	365	341
Motor Spirit	**859**	883	856	847	791
Special Boiling Point Spirit/Hexane	**30**	31	35	45	45
Benzene	**43**	70	56	75	76
Toluene	**13**	20	17	16	20
Polypropylene Feedstock	**16**	7	4	4	3
Others	**24**	25	21	19	20
Sub Total	**2458**	2485	2427	2482	2414
Middle Distillates :					
Aviation Turbine Fuel	**336**	298	279	224	219
Superior Kerosene Oil	**762**	807	811	766	610
High Speed Diesel	**2746**	2824	2938	2919	3547
Light Diesel Oil	**132**	199	112	128	99
Mineral Turpentine Oil	**92**	105	94	97	124
Sub Total	**4068**	4233	4234	4134	4599
Heavy Ends :					
Furnace Oil	**990**	608	649	707	566
Low Sulphur Heavy Stock	**465**	534	615	585	580
Bitumen	**278**	361	354	295	274
Sub Total	**1733**	1503	1618	1587	1420
Grand Total	**8259**	8221	8279	8203	8433

Lubricants Production (MT)

2003-04	2002-03	2001-02	2000-01	1999-00
101245	112730	99875	96624	100396

Quantity of LPG Filled in Cylinders (MT)

2003-04	2002-03	2001-02	2000-01	1999-00
1931334	1871631	1708370	1573383	1375498

HOW VALUE IS GENERATED

Rs. Million

	2003-04	2002-03
Value of Production (Refinery)	**109814**	107763
Less : Direct Materials Consumed	**90124**	96955
Added Value	**19690**	10808
Marketing Operations	**38053**	41223
Value added by Manufacturing & Trading Operations	**57743**	52031
Add : Other Income (including P.Y.A)	**4333**	3536
Total Value Generated	**62076**	55567

HOW VALUE IS DISTRIBUTED

Rs. Million

		2003-04		2002-03
1. OPERATIONS				
Operating & Service Costs		**22441**		21905
2. EMPLOYEES' BENEFITS				
Salaries, Wages & Bonus	**4846**		4514	
Other Benefits	**1772**	**6618**	1943	6457
3. PROVIDERS OF CAPITAL				
Interest on Borrowings	**1050**		2459	
Dividend	**5923**	**6972**	5000	7459
4. INCOME TAX		**8651**		6959
5. RE-INVESTMENT IN BUSINESS				
Depreciation	**5612**		4809	
Deferred Tax	**758**		477	
Retained Profit	**11023**	**17393**	7501	12787
Total Value Distributed		**62076**		55567

AUDITORS' REPORT TO THE MEMBERS OF BHARAT PETROLEUM CORPORATION LIMITED

1. We have audited the attached Balance Sheet of Bharat Petroleum Corporation Limited, as at 31st March, 2004 and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, (the Order) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in Paragraph 3 above we report that:-

   (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (ii) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;

   (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;

   (v) On the basis of written representations received from the Directors, other than Government nominee Directors, as on 31st March, 2004, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2004 from being appointed as Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956. The Department of Company Affairs vide their General Circular No.8/2002 dated 22nd March, 2002 have clarified that Government nominated Directors are exempted from the provision of Section 274(1)(g) of the Companies Act, 1956;

   (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes and the significant accounting policies thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

(a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2004;

(b) In the case of the Profit and Loss Account, of the profit for the year ended on that date and

(c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **V. SANKAR AIYAR & CO.**
Chartered Accountants

Sd/-
S. VENKATRAMAN
Partner
M. No.34319

Place : Mumbai
Dated : May 20, 2004

ANNEXURE TO AUDITORS' REPORT
(Referred to in paragraph 3 of our report of even date)

i (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets except for items like pipes, valves, meters, instruments and other similar items peculiar to a continuous process industry.

(b) We are informed that fixed assets, other than LPG cylinders with customers, are verified by the Marketing Division over a two-year period and by the Refinery over a three-year period. In our opinion the frequency of verification is reasonable. As per the information given to us by the management, no material discrepancies as compared to book records were noticed in respect of fixed assets verified during the year.

(c) Since there is no disposal of a substantial part of fixed assets during the year, the preparation of financial statements on a going concern basis is not affected on this account.

ii. (a) The inventories of finished goods, stores, spare parts and raw materials, except those lying with contractors and in transit have been physically verified during the year by the management. In our opinion, the frequency of physical verification is reasonable.

(b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) In our opinion, the Company is maintaining proper records of inventories and no material discrepancies were noticed on physical verification as compared to the record of inventories.

iii. Based on the audit procedures applied by us and according to the information and explanations given to us, the Company has not granted or taken any loans, secured or unsecured, to / from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Sub-clause (b), (c) and (d) of sub-para (iii) of para 4 of the Order are not applicable.

iv. In our opinion and according to the information and explanations given to us, having regard to the explanation that some of the items purchased are of a special nature and suitable alternative sources do not exist for obtaining comparable quotations, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for the purchase of inventories and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control.

v. Based on the audit procedures applied by us and according to the information and explanations given to us, transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.

Sub-clause (b) of sub-para (v) of para 4 of the Order is not applicable as there are no such transactions exceeding the value of Rupees Five Lacs in respect of any party.

vi. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of sections 58A and 58AA of the Companies Act, 1956 and the rules framed thereunder, with regard to deposits accepted from the public. No order has been passed by the Company Law Board.

vii. In our opinion the Company has an internal audit system commensurate with its size and nature of its business.

viii. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records in respect of petroleum industry and two products, namely Benzene and Toluene, under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of these records with a view to determining whether they are accurate or complete.

ix. (a) According to the records of the Company, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues, that are required to be deposited regularly with authorities, have generally been regularly deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid statutory dues were in arrears, as at 31st March, 2004, for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us and the records of the Company, the dues of sales tax / income tax / custom duty / wealth tax / excise duty / cess, which have not been deposited on account of any dispute are as follows:-

(Amount in Million Rs.)

Name of the Statute / Nature of Dues	Period	Forum where Dispute is pending						
		Supreme Court	High Court	Appellate Tribunal*	Appellate Authority**	Adjucting Authority***	Joint Secretary, MOF	Grand Total
(Custom Duty Including Customs Act, 1962 Penalty & Interest, wherever applicable)	1995 to 2000	-	-	25.42	-	-	-	25.42
	2000 to 2004	-	-	-	14.10	-	-	14.10
Customs Duty Total		**-**	**-**	**25.42**	**14.10**	**-**	**-**	**39.52**
Excise Act, 1944 (Excise Duty Including Penalty & Interest, wherever applicable)	1985 to 1990	-	-	0.66	0.71	-	-	1.37
	1990 to 1995	137.32	-	336.22	8.68	-	-	482.22
	1995 to 2000	58.63	-	1,531.93	29.47	-	2.59	1,622.62
	2000 to 2004	-	-	520.34	91.26	-	4.30	615.91
Excise Duty Total		**195.95**	**-**	**2,389.15**	**130.12**	**-**	**6.89**	**2,722.12**
Sales Tax Legislations (Sales Tax including Penalty & Interest, wherever applicable)	1975 to 1980	-	-	0.14	-	-	-	0.14
	1980 to 1985	-	0.37	0.92	-	-	-	1.29
	1985 to 1990	10.53	-	123.55	15.96	-	-	150.04
	1990 to 1995	19.48	-	75.42	378.40	104.58	-	577.88
	1995 to 2000	3.18	-	959.38	3,094.57	-	-	4,057.13
	2000 to 2004	-	-	1.67	250.26	182.71	-	434.64
Sales Tax Total		**33.19**	**0.37**	**1,161.08**	**3,739.19**	**287.29**	**-**	**5,221.12**
Sales Tax Legislations (Works Contract Tax Including Penalty & Interest, wherever applicable)	1990 to 1995	-	-	-	-	0.66	-	0.66
Works Contract Tax Total		**-**	**-**	**-**	**-**	**0.66**	**-**	**0.66**
Income Tax Act, 1961 Income Tax (Including Penalty & Interest, wherever applicable)	1995 to 2000	-	-	58.14	-	-	-	58.14
	2000 to 2004	-	3.34	36.05	-	-	-	39.39
Income Tax Total		**-**	**3.34**	**94.19**	**-**	**-**	**-**	**97.53**
Maharashtra Land Revenue Code, 1966 (Land Revenue including Penalty & Interest, wherever Applicable)	1975 to 1980	-	0.59	-	-	-	-	0.59
	1980 to 1985	-	0.68	-	-	-	-	0.68
	1985 to 1990	-	1.74	-	-	-	-	1.74
	1990 to 1995	-	4.35	-	-	-	-	4.35
	1995 to 2000	-	5.51	-	-	-	-	5.51
	2000 to 2004	-	8.12	-	-	-	-	8.12
Land Revenue Total		**-**	**20.99**	**-**	**-**	**-**	**-**	**20.99**
Grand Total		**229.14**	**24.70**	**3,669.84**	**3,883.41**	**287.95**	**6.89**	**8,101.94**

**Appellate Tribunal includes Sales Tax Tribunal, CEGAT, CESTAT and ITAT*

***Appellate Authority includes Commissioner Appeals, Assistant Commissioner Appeals, Deputy Commissioner Appeals, Joint Commissioner Appeals and Deputy Commissioner Commercial Taxes Appeals*

****Adjudicating Authority includes Assistant Commissioner, Additional Commissioner, Chief Municipal Officer, Sales Tax Officer and Deputy Commissioner Commercial Taxes*

x. The Company does not have any accumulated losses at the end of the financial year. The Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.

xi. On the basis of verification of records and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to Financial Institutions / Banks or Debenture holders.

xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii. The Company is not a chit fund or a nidhi or a mutual benefit society. Therefore the provisions of sub para (xiii) of para 4 of the Order are not applicable to the Company.

xiv. (a) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments.

(b) The shares, securities, debentures and other securities are held by the company in its own name except to the extent of the exemption granted under section 49 of the Companies Act,1956.

xv. In our opinion, the terms and conditions on which the Company has given a guarantee for loans taken by another party from Banks, are not, prima facie prejudical to the interest of the Company.

xvi. In our opinion, the term loans taken during the year have been applied for the purpose for which they were raised.

xvii. According to the cash flow statement for the year and the information and explanation given to us, on an overall basis, we report that, prima facie:-

(a) the funds raised on short term basis during the year have not been used for long term investment;

(b) funds raised on a long term basis during the year have, to the extent of Rs. 234.21 million been used for short term investment.

xviii. The Company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.

xix. The Company has not issued any debentures during the year and therefore the question of creating security in respect thereof does not arise.

xx. The Company has not made any public issue of any securities during the year and therefore the question of disclosing the end-use of money raised by any public issue does not arise.

xxi. We have been informed that during March 2001 to September 2001 at one of the supply locations Demand Drafts received from certain customers and credited to their accounts were once again used fraudulently for crediting accounts of certain other customers without receiving the payments. This fraud on the Company was detected and reported during the year. The aggregate amount involved is Rs.1.95 million out of which Rs.1.84 million has been recovered and the balance Rs.0.11 million is being followed up for recovery. We are informed that internal enquiry has been initiated against the concerned officials of the Corporation and also the third parties involved have been suspended from dealing with the Corporation.

Based on the audit procedures performed and the representation obtained from the management, we report that no other fraud on or by the Company, having a material misstatement on the financial statements has been noticed or reported during the year under audit.

For **V. SANKAR AIYAR & CO.**
Chartered Accountants

Sd/-
S. VENKATRAMAN
Partner
M. No.34319

Place : Mumbai
Dated : May 20, 2004

BALANCE SHEET AS AT 31ST MARCH, 2004

	SCHEDULE	Rs. Million	31/03/2003 Rs. Million
I. SOURCES OF FUNDS			
1. Shareholders' funds :			
Share Capital	A	**3,000.00**	3,000.00
Reserves and Surplus	B	**55,497.23**	44,474.28
		58,497.23	47,474.28
2. Loan funds :	C		
Secured Loans		**19,737.41**	24,425.31
Unsecured Loans		**7,159.80**	8,433.28
		26,897.21	32,858.59
3. Deferred tax liability (net)		**8,223.95**	7,465.56
TOTAL		**93,618.39**	87,798.43
II. APPLICATION OF FUNDS			
1. Fixed Assets :	D		
Gross block		**111,450.65**	99,694.62
Less : Depreciation		**51,119.72**	45,689.18
Net block		**60,330.93**	54,005.44
Intangible Assets		**127.33**	38.26
Capital work-in-progress	E	**14,076.54**	9,618.45
		74,534.80	63,662.15
2. Investments	F	**19,769.71**	21,062.12
3. Current assets, loans and advances :			
Inventories	G	**42,860.23**	44,035.80
Sundry debtors	H	**8,210.74**	8,428.52
Cash and bank balances	I	**6,266.05**	6,742.56
Other current assets	J	**2.82**	11.60
Loans and advances	K	**26,075.19**	23,801.37
		83,415.03	83,019.85
Less : Current liabilities and provisions :			
Liabilities	L	**75,238.37**	73,389.39
Provisions	M	**8,862.78**	6,556.30
		84,101.15	79,945.69
Net current assets		**(686.12)**	3,074.16
TOTAL		**93,618.39**	87,798.43
Statement of Significant Accounting Policies and Notes forming part of Accounts.	X		

For and on behalf of the Board of Directors

Sd/-
SARTHAK BEHURIA
Chairman and Managing Director

Sd/-
ASHOK SINHA
Director (Finance)

Sd/-
D. M. NAIK BENGRE
Company Secretary

Mumbai
Dated : 20th May, 2004

As per our attached report of even date

For and on behalf of
V. SANKAR AIYAR & CO.
Chartered Accountants

Sd/-
S. VENKATRAMAN
Partner

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2004

	SCHEDULE	Rs. Million	2002-03 Rs. Million
INCOME			
Sale of products & related income	N	**534,483.59**	485,023.53
Less : Excise Duty paid		**(51,940.52)**	(49,328.93)
		482,543.07	435,694.60
Miscellaneous income	O	**4,668.50**	3,465.42
Increase/(Decrease) in Inventory	P	**(2,840.34)**	14,666.77
TOTAL		**484,371.23**	453,826.79
EXPENDITURE			
Purchase of products for resale		**325,586.31**	294,959.92
Raw materials consumed	Q	**92,870.67**	98,690.56
Packages consumed		**445.44**	476.68
Excise Duty on Inventory differential		**(154.99)**	1,561.22
Other Duties, taxes etc. and other charges applicable to products		**2,857.87**	2,279.12
Transportation		**12,681.45**	12,449.90
Consumption of stores, spares and materials	R	**195.67**	183.46
Power and Fuel	S	**210.28**	216.38
Employees' remuneration and other benefits	T	**6,618.27**	6,456.97
Interest	U	**1,049.72**	2,459.46
Other operating and administration expenses	V	**9,708.57**	9,418.72
Depreciation and amortisation		**5,611.57**	4,809.24
TOTAL		**457,680.83**	433,961.63
Profit		**26,690.40**	19,865.16
Prior period income/(expenses) net	W	**(335.25)**	70.21
Profit before tax		**26,355.15**	19,935.37
Provision for Taxation			
- Current Tax		**8,526.00**	6,805.00
- Deferred Tax (Net)		**758.39**	476.59
Excess/(Short) provision for Taxation in earlier years written back/provided for		**(125.08)**	(153.50)
Profit after tax		**16,945.68**	12,500.28
Transfer to Debenture Redemption Reserve		**1,700.00**	2,070.00
Balance brought forward		**0.01**	0.01
Disposable Profit		**15,245.69**	10,430.29
Appropriations :			
Interim dividend paid (for 2002-03 subject to deduction of tax at source)		**1,800.00**	600.00
Final (proposed) dividend		**3,450.00**	3,900.00
Corporate Dividend Tax on interim and proposed Dividend		**672.66**	499.69
		5,922.66	4,999.69
Transfer to General Reserve		**9,323.02**	5,430.59
Balance Carried to Balance Sheet		**0.01**	0.01
Earnings per Share			
- Basic		**56.49**	41.67
- Diluted		**56.49**	41.67
Statement of Significant Accounting Policies and Notes forming part of Accounts	X		

For and on behalf of the Board of Directors

Sd/-
SARTHAK BEHURIA
Chairman and Managing Director

Sd/-
ASHOK SINHA
Director (Finance)

Sd/-
D. M. NAIK BENGRE
Company Secretary

As per our attached report of even date

For and on behalf of
V. SANKAR AIYAR & CO.
Chartered Accountants

Sd/-
S. VENKATRAMAN
Partner

Mumbai
Dated : 20th May, 2004

SCHEDULE 'A' — SHARE CAPITAL

	Rs. Million	31/03/2003 Rs. Million
Authorised		
300 million equity shares of Rs.10 each	**3,000.00**	3,000.00
	3,000.00	3,000.00
Issued, subscribed and paid-up		
300 million equity shares of Rs.10 each fully paid-up *	**3,000.00**	3,000.00
Total	**3,000.00**	3,000.00

* Includes :

i) 22.95 million shares of Rs. 10 each on which Rs. 7.20 per share was paid in cash and were converted into fully paid by capitalisation of Capital Reserve.

ii) 277 million shares of Rs. 10 each allotted as fully paid bonus shares by capitalisation of Capital Reserve and General Reserve.

SCHEDULE 'B' — RESERVES AND SURPLUS

	Rs. Million	31/03/2003 Rs. Million
Capital Reserve		
As per last Balance Sheet	**8.29**	8.36
Less : Amortisation of Capital Grant	**(0.07)**	(0.07)
	8.22	8.29
Debenture Redemption Reserve		
As per last Balance Sheet	**2,720.00**	650.00
Add : Transfer from Profit & Loss Account	**1,700.00**	2,070.00
	4,420.00	2,720.00
General Reserve		
As per last Balance Sheet	**41,745.98**	36,315.39
Add : Transfer from Profit & Loss Account	**9,323.02**	5,430.59
	51,069.00	41,745.98
Surplus as per Profit & Loss Account	**0.01**	0.01
Total	**55,497.23**	44,474.28

SCHEDULE 'C' — LOAN FUNDS

	Rs. Million	31/03/2003 Rs. Million
Secured Loans		
Bonds		
BPCL Millennium Bonds Series - I (Option I) - Redeemable at par on 1st December 2006 with put and call option on 1st December 2004 (Secured by mortgage created on certain immovable properties of the Corporation)*	**2,500.00**	2,500.00
BPCL Debentures 2008 - Redeemable at par on 1st June 2008 with put and call option on 1st June 2006 (Secured by mortgage created on certain immovable properties of the Corporation) **	**4,450.00**	4,450.00
Banks		
Working Capital Loans/Cash Credit (Secured in favour of the participating banks ranking pari passu inter alia by hypothecation of raw materials, finished goods, stock-in-process, book debts, stores, components and spares and all movables both present and future)	**12,761.80**	17,445.05
Interest accrued and due	**25.61**	27.08
Others		
Term Loan - (Refinanced through Government of India) (Secured by hypothecation of certain plant and machinery at Refinery)	—	3.18
	19,737.41	24,425.31
Unsecured Loans		
Public deposits [Due for repayment within one year **Rs. 811.24 million** (previous year Rs. 1388.93 million)]	**2,661.37**	3,706.60
Short Term		
From Banks	**2,867.68**	—
OIDB [Due for repayment within one year **Rs. 326.15 million** (previous year Rs. 700.22 million)]	**1,630.75**	4,726.68
	7,159.80	8,433.28
Total	**26,897.21**	32,858.59

* Interest payable at the rate of 12% per annum.

** Interest payable at the rate of 9.95% per annum on Rs. 3,450 million and at 9.90% per annum on Rs. 1,000 million.

SCHEDULE 'D' — FIXED ASSETS

Rs. Million

PARTICULARS	GROSS BLOCK AS AT 01.04.2003	ADDITIONS	DEDUCTIONS ON ACCOUNT OF RETIREMENT/ RECLASSIFI-CATIONS	AS AT 31.03.2004	DEPRECIATION UPTO 31.03.2003	THIS YEAR	DEDUCTIONS ON ACCOUNT OF RETIREMENT/ RECLASSIFI-CATIONS	UPTO 31.03.2004	NET BLOCK AS AT 31.03.2004	AS AT 31.03.2003
(1)	(2)	(3)	(4)	**(5)**	(6)	(7)	(8)	**(9)**	**(10)**	(11)
1. LAND										
(a) Freehold	2,208.36	128.09	3.44	**2,333.01**	—	—	—	—	**2,333.01**	2,208.36
(b) Leasehold	608.60	83.34	—	691.94	76.24	10.49	—	**86.73**	**605.21**	532.36
2. BUILDINGS	16,230.31	2,524.81	11.82	**18,743.30**	1,662.02	345.30	3.64	**2,003.68**	**16,739.62**	14,568.29
3. RAILWAY SIDINGS	1,632.43	142.36	6.72	**1,768.07**	479.40	87.04	1.94	**564.50**	**1,203.57**	1,153.03
4. PLANT and MACHINERY	21,336.00	1,501.51	139.67	**22,697.84**	7,737.87	967.25	48.00	**8,657.12**	**14,040.72**	13,598.13
5. TANKS and PIPELINES	18,879.47	3,022.45	58.42	**21,843.50**	6,210.96	1,026.30	15.34	**7,221.92**	**14,621.58**	12,668.51
6. FURNITURE and FITTINGS	687.68	95.80	9.07	**774.41**	258.64	42.48	5.28	**295.84**	**478.57**	429.04
7. VEHICLES	770.51	51.18	29.73	**791.96**	415.61	58.79	22.41	**451.99**	**339.97**	354.90
8. OTHER ASSETS										
(a) Dispensing Pumps	4,477.03	990.85	1.21	**5,466.67**	1,036.88	223.73	0.05	**1,260.56**	**4,206.11**	3,440.15
(b) LPG Cylinders and Allied Equipment	25,203.78	2,235.69	43.75	**27,395.72**	25,203.78	2,235.69	43.75	**27,395.72**	—	—
(c) Sundries	7,660.45	1,359.05	75.27	**8,944.23**	2,607.78	627.32	53.44	**3,181.66**	**5,762.57**	5,052.67
TOTAL	99,694.62	12,135.13	379.10	**111,450.65**	45,689.18	5,624.39	193.85	**51,119.72**	**60,330.93**	54,005.44
PREVIOUS YEAR	92,767.88	7,364.37	437.63	**99,694.62**	41,206.55	4,822.61	339.98	**45,689.18**	**54,005.44**	51,561.33

NOTES:-

1) Land :-
   a) Freehold land includes **Rs. 308.69 million** (previous year Rs. 286.12 million) with more than 99 years lease period.
   b) Freehold land includes Rs. **65.81 million** (previous year Rs. 36.82 million) capitalised at Cherlapalli depot, Kurnool LPG Plant, Kakinada Coastal Terminal and Solur LPG Plant for which conveyance deeds are yet to be executed.
   c) Leasehold land Includes the following which though in the possession of Corporation, the lease deeds are yet to be registered :
      i) Land acquired on lease for a period exceeding 99 years **Rs. 9.09 million** (previous year Rs. 9.09 million)
      ii) Other leasehold land - Gross Block **Rs. 5.99 million** (previous year Rs. 5.99 million), Net Block **Rs. 5.17 million** (previous year Rs. 5.24 million)
   d) Freehold land includes land costing **Rs. 21.27 million** (previous year Rs. 21.27 million) which is in the process of being sold subject to approval of competent authority.
   e) Freehold land includes **Rs. 77.07** million in respect of which mutation in pending.
2) Right of Way being an intangible asset has been transferred from fixed asset to intangible asset and shown accordingly.
3) Buildings include :-
   a) Ownership flats of **Rs. 132.69 million** (previous year Rs. 132.69 million) in proposed/existing co-operative societies.
   b) Value of shares of **Rs. 0.04 million** (previous year Rs.0.04 million) out of which the Corporation is yet to receive share certificates of the value of **Rs. 0.01 million** (previous year Rs.0.01 million)
   c) Residential flats and office complex which are in possession of the Corporation and in respect of which the lease deeds are yet to be registered :- Gross Block **Rs. 38.05 million** (previous year Rs.38.05 million), Net Block **Rs. 33.65 million** (previous year Rs. 34.21 million).
4) Land, Plant & Machinery, Tanks & Pipelines, Railway Sidings and Buildings jointly owned in varying extent with other Oil Companies/Railways :- Gross Block **Rs. 1,636.03 million** (previous year Rs. 1,553.04 million), Depreciation **Rs. 348.14 million** (previous year Rs. 259.28 million), Net Block **Rs. 1,287.90 million** (previous year Rs. 1,293.76 million).
5) Buildings, Plant & Machinery and Sundries includes **Rs. 81.06 million** (previous year Rs. 81.06 million) towards assets, ownership of which does not vest with the Corporation. This amount has been amortised over a period of five years. The amount charged off as depreciation for the current year is **Rs. 2.44 million** (previous year Rs. 14.57 million)
6) Deduction from Gross Block (column 4) includes :-
   a) Write back of excess capitalisation of **Rs. 160.53 million** (previous year Rs. 78.90 million)
   b) Deletions during the year **Rs. 218.70 million** (previous year Rs. 365.78 million)
   c) Assets re-instated during the year Rs. **-0.13 million** (previous year Rs. -7.05 million)
7) Depreciation for the year (column 7) includes :-
   a) Charged to Profit & Loss Account **Rs. 5,608.60 million** (previous year Rs. 4,809.24 million)
   b) Charged to Previous year expenses **Rs. 15.79 million** (previous year Rs. 12.64 million)
8) Deductions from depreciation (column 8) includes withdrawal of depreciation :-
   a) On excess capitalisation **Rs. 9.36 million** (previous year Rs. 36.09 million)
   b) On deletion during the year **Rs. 184.61 million** (previous year Rs. 306.67 million)
   c) Consequent to adjustment referred in para (6)-(c) above, **Rs. -0.12** million (previous year Rs. -2.78 million)
9) Gross Block includes **Rs. 105.76 million** (previous year Rs. 138.32 million) towards assets held for disposal at discontinued locations in respect of which additional depreciation has been provided to recognise the expected loss on disposal. The amount of additional depreciation so provided during the year is **Rs. 48.69 million** (previous year Rs. 24.08 million).

PARTICULARS OF CAPITAL EXPENDITURE INCURRED ON SOCIAL OVERHEADS AND FORMING PART OF SCHEDULE 'D' AS AT 31.03.2004

Rs. Million

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS AT 01.04.2003	ADDITIONS	DEDUCTIONS ON ACCOUNT OF RETIREMENT/ RECLASSIFI-CATIONS	**AS AT 31.03.2004**	UPTO 31.03.2003	THIS YEAR	DEDUCTIONS ON ACCOUNT OF RETIREMENT/ RECLASSIFI-CATIONS	**UPTO 31.03.2004**	**AS AT 31.03.2004**	AS AT 31.03.2003
(1)	(2)	(3)	(4)	**(5)**	(6)	(7)	(8)	**(9)**	**(10)**	(11)
1. LAND										
(a) Freehold	0.78	—	—	**0.78**	—	—	—	—	**0.78**	0.78
(b) Leasehold	7.21	—	—	**7.21**	1.58	0.08	—	**1.66**	**5.55**	5.63
2. STAFF QUARTERS ETC. IN TOWNSHIP										
(a) Buildings	288.11	—	—	**288.11**	47.70	4.68	—	**52.38**	**235.73**	240.41
(b) Plant & Machinery	6.93	—	—	**6.93**	3.50	0.34	—	**3.84**	**3.09**	3.43
(c) Furniture & Fittings	6.09	—	—	**6.09**	1.86	0.38	—	**2.24**	**3.85**	4.23
(d) Other Assets	44.59	0.07	—	**44.66**	14.62	1.87	—	**16.49**	**28.17**	29.97
3. SOCIAL & CULTURAL OVERHEADS										
(a) Buildings	5.85	0.28	—	**6.13**	1.12	0.10	—	**1.22**	**4.91**	4.73
(b) Plant & Machinery	0.99	—	—	**0.99**	0.64	0.04	—	**0.68**	**0.31**	0.35
(c) Furniture & Fittings	0.37	0.25	—	**0.62**	0.15	0.09	—	**0.24**	**0.38**	0.22
(d) Tanks & Pipelines	—	—	—	—	—	—	—	—	—	—
(e) Other Assets	5.56	1.30	—	**6.86**	3.02	0.30	—	**3.32**	**3.54**	2.54
TOTAL	366.48	1.90	—	**368.38**	74.19	7.88	—	**82.07**	**286.31**	292.29
Previous Year	364.68	1.80	—	366.48	66.48	7.71	—	74.19	292.29	298.20

SCHEDULE 'E' — CAPITAL WORK-IN-PROGRESS

			Rs. Million	31/03/2003 Rs. Million
Capital work-in-progress (at Cost)				
Work-in-progress			**10,685.33**	6,391.29
Capital Advances (Unsecured, Considered good)			**405.47**	1,034.31
Capital stores including lying with contractors			**2,237.36**	1,375.77
Capital goods in transit			**10.11**	267.19
Construction period expenses		31/03/2003		
Opening balance	**549.89**	196.95		
Add : Expenditure during the year				
Establishment charges	**118.30**	90.58		
Interest	**360.24**	258.85		
Depreciation	**—**	0.73		
Others	**57.06**	86.57		
	1,085.49	633.68		
Less : Allocated to assets during the year	**(347.22)**	(83.79)		
Balance pending allocation at the end of the year			**738.27**	549.89
Total			**14,076.54**	9,618.45

SCHEDULE 'F' — INVESTMENTS

	No.	Face Value Rs. Million	Book Value Rs. Million	Book Value 31/03/2003 Rs. Million
IN GOVERNMENT SECURITIES				
NON TRADE - QUOTED				
1. Deposited with Local Authorities				
7 % Loan 2009		**0.21**	**0.17**	0.17
7 1/2 % Loan 2010		**0.19**	**0.19**	0.19
8 % Loan 2011		**0.03**	**0.02**	0.02
2. 6.96% Oil Companies Special Bonds 2009		**5,580.00**	**5,580.00**	7,580.00
			5,580.38	7,580.38
IN SHARES, DEBENTURES AND BONDS				
TRADE - QUOTED				
1. Equity Shares of Rs.10 each (fully paid up) of Petronet LNG Limited @	**93,750,000** (6,295)	**937.50**	**987.50**	0.06
2. Equity Shares of Rs.10 each (fully paid up) Indraprastha Gas Limited #	**31,500,000** (31,500,000)	**315.00**	**315.00**	315.00
TRADE - UNQUOTED				
1. Equity Shares of Rs. 2.50 each (fully paid up) of Bharat Shell Limited	**98,000,000** (98,000,000)	**245.00**	**245.00**	245.00
2. Equity Shares of Rs.10 each (fully paid up) of Bharat Oman Refineries Limited	**75,500,000** (75,500,000)	**755.00**	**755.00**	755.00
3. Equity Shares of Rs.10 each (fully paid up) of Petronet India Limited	**16,000,000** (16,000,000)	**160.00**	**160.00**	160.00
4. Equity Shares of Rs.10 each (fully paid up) Cochin International Airport Limited	**5,250,000** (5,250,000)	**52.50**	**52.50**	52.50
5. Equity Shares of Rs.10 each (fully paid up) of Petronet CCK Limited	**26,000,000** (26,000,000)	**260.00**	**260.00**	260.00
6. Equity Shares of Rs.10 each (fully paid up) of Petronet CI Limited	**451,000** (451,000)	**4.51**	**4.51**	4.51
7. Equity Shares of Rs.10 each (fully paid up) VI e Trans Private Limited	**100,000** (100,000)	**1.00**	**1.00**	1.00
8. Equity Shares of Rs.10 each (fully paid up) of Petroleum Infrastructure Limited	**7,500,000** (7,500,000)	**75.00**	**75.00**	75.00
			2,855.51	1,868.07
Less :Provision for diminution in value of investment				
in Petroleum Infrastructure Limited			**75.00**	75.00
in Petronet CI Ltd.			**4.51**	—
			2,776.00	1,793.07

@ Previous year grouped under Trade Unquoted - 37,500,000 no. of shares has lock in period till 30.04.2007 and 56,250,000 no. of shares has lock in period till 30.04.2005.

Previous year grouped under Trade Unquoted - 15,484,431 no. of shares has lock in period till 18.12.2006 and 16,015,569 no. of shares has lock in period till 18.12.2004.

SCHEDULE 'F' — INVESTMENTS (Contd.)

	No.	Face Value Rs. Million	Book Value Rs. Million	Book Value 31/03/2003 Rs. Million
NON TRADE - QUOTED				
1. 10.5 % Tax-free Bonds of Konkan Railway Corporation Limited of Rs. 1000/- each	— (300,000)	—	—	285.00
2. 6.75% Tax Free US64 Bonds* of Rs.10 each	**8,874,580** (8,874,589)	**88.75**	**88.75**	88.75
			88.75	373.75
NON TRADE - UNQUOTED				
1. Debentures (Irredeemable - Fully Paid up) - 6 1/2 % debentures of Bengal Chamber of Commerce & Industry	**15** (15)	**0.01**	**0.01**	0.01
- 5 % debentures of East India Clinic Limited	**1** (1)	**0.06**	**0.06**	0.06
2. Ordinary Shares (Fully paid up) of Sindhu Resettlement Corporation Ltd.	**6** (6)	**0.01**	**0.02**	0.02
			0.09	0.09
IN SUBSIDIARY COMPANIES				
QUOTED				
1. Equity Shares of Rs. 10 each (fully paid up) of Kochi Refineries Limited	**75,889,660** (75,889,660)	**758.90**	**6,591.02**	6,591.02
UNQUOTED				
2. Equity Shares of Rs.10 each (fully paid up) of Numaligarh Refinery Limited	**463,188,856** (463,188,856)	**4,631.89**	**4,631.89**	4,631.89
			11,222.91	11,222.91
IN ASSOCIATION OF PERSONS				
NON TRADE - UNQUOTED				
Capital Contribution in Petroleum India International			**0.50**	0.50
Share in accumulated surplus of Petroleum India International as at 31st March 2003 (31st March 2002)			**101.08**	91.42
			101.58	91.92
Member Companies ##				
Bharat Petroleum Corporation Limited				
Bongaigaon Refinery & Petrochemicals Limited				
Kochi Refineries Limited				
Engineers India Limited				
Hindustan Petroleum Corporation Limited				
IBP Company Limited				
Indian Petrochemicals Corporation Limited				
Chennai Petroleum Corporation Limited				
Total			**19,769.71**	21,062.12

All investments are long-term investments.

* Units of the Unit Trust of India 1964 scheme converted into 6.75% Tax Free US64 Bonds on 01.06.2003

Each member company has an equal share and the total capital of AOP is Rs. 5.00 million.

Aggregate value of Unquoted Securities **Rs. 6,207.06 million** (Rs. 6,516.97 million).

Aggregate value of Quoted Securities **Rs. 13,562.65 million** (Rs. 14,545.15 million).

Market value of Quoted Securities **Rs. 25,880.02 million** (Rs. 11,429.05 million).

SCHEDULE 'G' — INVENTORIES

(As taken, valued and certified by the Management) @

	Rs. Million	31/03/2003 Rs. Million
Stores and spares	**510.13**	524.05
Stores and spares in Transit	—	14.52
Raw materials	**4,448.04**	2,761.32
Stock- in-process	**817.47**	1,139.24
Finished products	**37,037.83**	39,556.40
Packages	**46.76**	40.27
Total	**42,860.23**	44,035.80

@ Inventory valuation is as per Significant Accounting Policy no. 8.

SCHEDULE 'H' — SUNDRY DEBTORS

(Unsecured, Considered good unless otherwise stated)

	Rs. Million	31/03/2003 Rs. Million
Debts outstanding for over six months :		
Considered good *	**817.42**	1,215.46
Considered doubtful	**2,458.72**	2,144.58
	3,276.14	3,360.04
Other debts	**7,393.32**	7,213.06
	10,669.46	10,573.10
Less : Provision for doubtful debts	**(2,458.72)**	(2,144.58)
Total	**8,210.74**	8,428.52

* Includes **Rs. 2.88 million** (previous year Rs. 3.31 million) which are secured.

SCHEDULE 'I' — CASH AND BANK BALANCES

	Rs. Million	31/03/2003 Rs. Million
Cash on Hand	**4,049.45**	2,224.66
[Includes drafts and cheques of **Rs. 3,921.03 million** (previous year Rs. 2,099.66 million) on hand]		
With Scheduled banks :		
In current accounts	**2,084.56**	2,064.91
In deposit accounts	**8.85**	2,153.82
Remittances in transit	**123.19**	299.17
Total	**6,266.05**	6,742.56

SCHEDULE 'J' — OTHER CURRENT ASSETS

	Rs. Million	31/03/2003 Rs. Million
Interest accrued on investments	**2.39**	7.96
Interest accrued on bank deposits	**0.43**	3.64
Total	**2.82**	11.60

SCHEDULE 'K' — LOANS AND ADVANCES

(Unsecured, Considered good unless otherwise stated)

	Rs. Million	31/03/2003 Rs. Million
Loans (Secured) :		
To companies		
Considered doubtful	**1.05**	1.05
Less : Provision for doubtful loans	**(1.05)**	(1.05)
To staff *	**5,057.88**	4,908.69
Loans :		
To companies		
Considered Good	**—**	3.50
Considered doubtful	**28.08**	28.08
Less : Provision for doubtful loans	**(28.08)**	(28.08)
To others	**101.30**	92.23
Advances :		
Share Application money pending allotment/Advance towards equity shares	**—**	274.94
Considered Doubtful	**11.33**	
Less : Provision towards share application money pending allotment	**(11.33)**	
Advances recoverable in cash, or in kind or for value to be received	**1,686.47**	1,538.88
Advances considered doubtful	**67.73**	42.92
Less : Provision for doubtful advances	**(67.73)**	(42.92)
	6,845.65	6,818.24
Material given on Loan (Secured)	**6.11**	4.92
Less : Deposits Received	**(6.11)**	(4.92)
Dues from Pool Account (Petroleum Planning & Analysis Cell - Government of India)	**11,556.38**	11,427.35
Due from Subsidiaries#	**4,172.33**	3,015.97
Claims :		
Considered good	**1,038.93**	1,073.21
Considered doubtful	**139.22**	134.17
Less : Provision for doubtful claims	**(139.22)**	(134.17)
	1,038.93	1,073.21
Advance Income Tax (Net of provision for taxation)	**1,778.58**	1,040.77
Deposits :		
With Customs/Excise/Port Trust etc. (repayable on demand)	**419.08**	158.75
Others **	**264.24**	267.08
	683.32	425.83
Considered doubtful	**0.19**	0.19
Less : Provision for doubtful deposits	**(0.19)**	(0.19)
	683.32	425.83
Total	**26,075.19**	23,801.37

* Include :

Due from Officers : **Rs. 24.34 million** (previous year Rs. 19.17 million)
Maximum balances : **Rs. 27.66 million** (previous year Rs. 20.36 million)

Due from Directors : **Rs. 0.51 million** (previous year Rs. 0.73 million)
Maximum balances : **Rs. 0.74 million** (previous year Rs. 0.81 million)

Includes Intercorporate Deposits placed with subsidiary - Kochi Refineries Limited : Balance as at the year end **Rs. Nil** (previous year Rs. Nil)

Maximum balance **Rs. Nil** (previous year Rs. 750 million)

** Includes **Rs. 74.54 million** (previous year Rs. 59.18 million) alongwith interest of **Rs. 76.26 million** (previous year Rs. 59.80 million) deposited as per court order in Land Compensation cases for which appeals are pending.

SCHEDULE 'L' — LIABILITIES

			Rs. Million	31/03/2003 Rs. Million
Current Liabilities :				
Sundry creditors		31/03/2003		
Total outstanding dues to Small Scale Industries (SSI's)	**118.58**	144.53		
Total outstanding dues to creditors other than SSI's	**32,837.53**	32,572.24	**32,956.11**	32,716.77
Due to subsidiaries			**4,164.75**	4,875.00
Materials taken on loan	**0.67**	2.55		
Less: Deposits given	**(0.67)**	(2.55)	**—**	—
Deposits from Customers			**7.58**	7.17
Deposits for containers			**23,995.31**	21,614.44
Investors Education and Protection Fund shall be credited by the following amount*				
Unclaimed Dividend			**9.51**	8.74
Unclaimed Deposits			**32.39**	15.77
Unclaimed Interest on Deposits			**3.04**	3.01
Other liabilities			**13,478.61**	13,557.26
Interest accrued but not due on loans			**591.07**	591.23
Total			**75,238.37**	73,389.39

* No amount is due as at the end of the year for credit to Investors Education and Protection Fund.

SCHEDULE 'M' — PROVISIONS

	Rs. Million	31/03/2003 Rs. Million
Provision for Taxation (Net of Tax paid)	**2,632.22**	82.44
Proposed dividend	**3,450.00**	3,900.00
Corporate Dividend Tax on proposed dividend	**442.03**	499.69
Provision for retirement benefits	**2,338.53**	2,074.17
Total	**8,862.78**	6,556.30

SCHEDULE 'N' — SALE OF PRODUCTS AND RELATED INCOME

	Rs. Million	2002-03 Rs. Million
Sales	**525,159.93**	472,378.29
Subsidy on LPG (Domestic) & SKO (PDS)	**9,860.16**	13,497.10
Net Recovery from/(payment to) Pool Account (Petroleum Planning & Analysis Cell - Government of India)	**(536.50)**	(851.86)
Total	**534,483.59**	485,023.53

SCHEDULE 'O' — MISCELLANEOUS INCOME

	Rs. Million	2002-03 Rs. Million
Interest on bank deposits and others*	**293.19**	407.48
Tax deducted at source - **Rs. 11.43 million** (previous year Rs. 33.29 million)		
Interest from subsidiaries (gross)	—	0.23
Tax deducted at source - **Rs. Nil** (previous year Rs. 0.05 million)		
Income from Investments		
Long Term		
Interest**	**453.45**	671.00
Dividend		
Tax deducted at source - **Rs. Nil** (previous year Rs. 42.33 million)		
from subsidiaries	**1,092.39**	403.18
from others	**37.08**	—
From AOP (Petroleum India International)	**14.66**	16.29
Profit on Sales/Maturity	**149.37**	53.99
Excess provision for expenses written back	**6.22**	36.61
Write back (net)	**171.60**	—
Other income#	**2,450.54**	1,876.64
Tax deducted at source - **Rs. 12.43 million** (previous year Rs. 9.85 million)		
Total	**4,668.50**	3,465.42

* Includes interest received from Income tax authorities **Rs. 2.36 million** (previous year Rs. 27.57 million)

** Includes interest received from Oil bonds **Rs. 419.59 million** (previous year Rs.639.46 million)

\# Includes amortisation of capital grants **Rs. 0.07 million** (previous year Rs. 0.07 million)

SCHEDULE 'P' — INCREASE/(DECREASE) IN INVENTORY

		31/03/2003	Rs. Million	2002-03 Rs. Million
Value of closing stock of				
Finished goods	**37,037.83**	39,556.40		
Stock-in-process	**817.47**	1,139.24		
			37,855.30	40,695.64
Less :				
Value of opening stock of				
Finished goods	**39,556.40**	25,570.56		
Stock-in-process	**1,139.24**	458.31		
			40,695.64	26,028.87
Total			**(2,840.34)**	14,666.77

SCHEDULE 'Q' — RAW MATERIALS CONSUMED

	Rs. Million	2002-03 Rs. Million
Opening Stock	**2,761.32**	2,451.08
Add : Purchases	**94,557.39**	99,000.80
Less : Closing Stock	**(4,448.04)**	(2,761.32)
Raw Material Consumed	**92,870.67**	98,690.56

SCHEDULE 'R' — CONSUMPTION OF STORES, SPARES AND MATERIALS

	Rs. Million	2002-03 Rs. Million
Stores, spares and materials	**844.58**	791.90
Less : Charged to other revenue accounts	**(648.91)**	(608.44)
Total	**195.67**	183.46

SCHEDULE 'S' — POWER AND FUEL

	Rs. Million	2002-03 Rs. Million
Power and Fuel	**4,037.71**	4,443.73
Less : Consumption of fuel out of own production	**(3,827.43)**	(4,227.35)
Total	**210.28**	216.38

SCHEDULE 'T' — EMPLOYEES' REMUNERATION AND OTHER BENEFITS

	Rs. Million	2002-03 Rs. Million
Salaries and wages	**4,846.41**	4,514.34
Contribution to provident fund and other funds	**516.29**	524.39
Contribution to gratuity fund	**70.55**	133.25
Welfare expenses	**1,185.02**	1,284.99
Total	**6,618.27**	6,456.97

SCHEDULE 'U' — INTEREST

	Rs. Million	2002-03 Rs. Million
On Bonds	**382.03**	567.21
On Fixed Loans	**453.47**	1,027.93
Others	**214.22**	864.32
Total	**1,049.72**	2,459.46

SCHEDULE 'V' — OTHER OPERATING AND ADMINISTRATION EXPENSES

	Rs. Million	2002-03 Rs. Million
Repairs and maintenance :		
Machinery	**1,235.91**	1,292.58
Building	**128.13**	104.40
Others	**693.88**	718.08
	2,057.92	2,115.06
Insurance	**255.25**	276.22
Rent	**960.97**	827.68
Rates and taxes	**416.60**	466.43
Charities and donations	**4.59**	6.93
Remuneration to Auditors	**1.83**	1.62
Utilities	**619.58**	575.18
Write off :		
Bad debts and claims	**230.85**	153.08
Diminution in value of investments	—	758.80
Less: Provision made earlier	—	(758.77)
Others	**19.86**	33.98
Provision for :		
Doubtful debts and advances	**355.33**	877.83
Diminution in value of investments	**4.51**	—
Charges paid to other oil companies	**465.67**	486.76
Travelling and conveyance	**737.65**	655.38
Telephone, Telex, Cables, Postage etc.	**293.32**	271.01
Loss on sale/write off of Fixed Assets (net)	**1.62**	7.11
Brokerage on Public Deposit	**3.79**	14.27
Other expenses	**3,279.23**	2,650.15
Total	**9,708.57**	9,418.72

SCHEDULE 'W' — PRIOR PERIOD INCOME/(EXPENSES) (NET)

	Rs. Million	2002-03 Rs. Million
Sale of products	**149.12**	442.54
Miscellaneous Income	**(0.54)**	1.74
Purchase of product for resale	**(506.71)**	(406.48)
Employees' Remuneration and Other Benefits	—	(13.63)
Duties, taxes etc. and other product charges	**91.02**	—
Raw material consumed	**(13.88)**	—
Rent, Rates & Taxes	**2.47**	—
Other operating and administration expenses	**(50.30)**	22.58
Depreciation	**(6.43)**	23.46
Total	**(335.25)**	70.21

SCHEDULE 'X' — STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2004

A. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING CONVENTION

The financial statements are prepared under historical cost convention in accordance with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, adopting accrual system of accounting except where otherwise stated.

2. USE OF ESTIMATES

The preparation of financial statements requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Differences between actual results and estimates are recognised in the period in which they materialise.

3. FIXED ASSETS

3.1 **LAND**

Land acquired on lease where period of lease exceeds 99 years is treated as freehold.

3.2 **FIXED ASSETS OTHER THAN LAND**

Expenditure on assets, other than plant and machinery, LPG cylinders and pressure regulators, not exceeding Rs.1,000 per item is charged to revenue.

3.3 Machinery spares that can be used only in connection with an item of fixed asset and their use is expected to be irregular are capitalised. Replacement of such spares is charged to revenue.

3.4 **EXPENDITURE DURING CONSTRUCTION PERIOD**

Direct expenses including borrowing cost and crop compensation for laying pipelines incurred during construction period on capital projects are capitalised. Indirect expenses of the project group are allocated only to the projects costing Rs. 50 million and above.

4. INTANGIBLE ASSETS

4.1 Cost of right of way that are perennial in nature are not amortised.

4.2 Expenditure incurred for creating/acquiring other intangible assets of Rs.5 million and above, from which future economic benefits will flow over a period of time, is amortised over the estimated useful life of the asset or five years, whichever is lower, from the time the intangible asset starts providing the economic benefit.

4.3 In other cases, the expenditure is charged to revenue in the year the expenditure is incurred.

5. BORROWING COSTS

Borrowing costs attributable to acquisition, construction or production of qualifying asset are capitalised as part of the cost of that asset, till the month in which the asset is ready for use. Other borrowing costs are recognised as an expense in the period in which these are incurred.

6. DEPRECIATION

6.1 Premium paid for acquiring leasehold land for lease period not exceeding 99 years, is amortised over the period of lease.

6.2 LPG cylinders and pressure regulators and other fixed assets costing not more than Rs 5,000 each, are depreciated @100 percent in the year of capitalisation.

6.3 Depreciation on assets not owned by the Corporation is amortised over a period of five years from the year of capitalisation.

6.4 Depreciation on other fixed assets is provided under the straight line method, at rates prescribed under Schedule XIV to the Companies Act, 1956. Additions to fixed assets during the year are being depreciated on pro rata basis from the beginning of the month in which such assets are capitalised.

7. INVESTMENTS

7.1 Current investments are valued at lower of cost or fair market value.

7.2 Long-term investments, other than investments in Government Securities and Public Sector Bonds, are valued at cost. Provision for diminution is made to recognise a decline, other than of temporary nature, in the value of such investments.

7.3 Government Securities and Public Sector Bonds are valued at lower of cost or redemption price.

8. INVENTORY

8.1 RAW MATERIAL AND INTERMEDIATE

Raw material and Intermediate are valued at cost. Cost is determined as follows:

8.1.1 Crude oil on first in first out basis.

8.1.2 Base oil and additives on weighted average cost.

8.1.3 Intermediate Stocks at raw material cost plus cost of conversion.

In case there has been a decline in the price of raw material and the realisable value of the finished products is expected to be lower than the cost of the finished products, raw material and intermediate are valued at net realisable value.

8.2 FINISHED PRODUCTS

8.2.1 Finished products other than Lubricants are valued at cost on first in first out basis or at net realisable value, whichever is lower.

8.2.2 Lubricants are valued at weighted average cost or at net realisable value, whichever is lower.

8.3 Stores are valued at weighted average cost. Slow moving / obsolete items identified as surplus are valued at Re Nil.

8.4 Packages are valued at weighted average cost or at net realisable value, whichever is lower.

9. CENVAT

Cenvat credit on eligible Revenue/Capital purchase is recognised on receipt of such materials.

10. CLAIMS AND PROVISIONS

Claims/Surrenders on/to Petroleum Planning and Analysis Cell, Government of India are booked on `in principle acceptance' thereof on the basis of available instructions/clarifications subject to final adjustments after Pool audit, as stipulated. Other claims are booked when there is a reasonable certainty of recovery. Provisions, as appropriate, are made based on the merits.

11. SALES

Sales are net of trade discounts and include, inter alia, excise/customs duties/claim from Petroleum Planning and Analysis Cell, Government of India and other elements allowed by the Government from time to time.

12. RAW MATERIALS CONSUMED

Raw materials consumed is net of claims from Petroleum Planning and Analysis Cell, Government of India.

13. CLASSIFICATION OF INCOME/EXPENSES

13.1 Expenditure on Research, other than capital expenditure, is charged to revenue in the year the expenditure is incurred.

13.2 Being not material :

13.2.1 Income/expenditure upto Rs 0.50 million in each case pertaining to prior years is charged to the current year.

13.2.2 Prepaid expenses upto Rs 0.01 million in each case, are charged to revenue as and when incurred.

13.2.3 Liabilities for expenses, other than for transportation, rent and property taxes are provided for only if the amount exceeds Rs 0.01 million in each case.

13.2.4 Deposits placed with Government agencies/ local authorities which are perennial in nature are charged to revenue in the year of payment.

13.3 Income from sale of scrap is accounted for on realisation.

14. RETIREMENT BENEFITS

14.1. Contribution to Provident Fund is charged to revenue.

14.2. Gratuity, leave encashment and other retirement benefits are actuarially valued at the year end and provided for in the accounts.

15. DUTIES ON BONDED STOCKS

15.1 Customs duty on Raw materials/Finished goods lying in bond are provided for at the applicable rates except where liability to pay duty is transferred to consignee.

15.2 Excise duty on Finished stocks lying in bond is provided for, at average of the assessable value applicable at each of the locations at maximum rates based on end use except where liability to pay duty is transferred to consignee.

16. FOREIGN CURRENCY & DERIVATIVE TRANSACTIONS

16.1 Transactions in foreign currency are accounted at the exchange rate prevailing on the date of transaction. Exchange fluctuations between the transaction date and the settlement date in respect of fixed assets are adjusted in carrying cost. Gains / losses on revenue transactions are recognised in Profit and Loss Account.

16.2 Current assets and current liabilities involving transactions in foreign currency are converted at exchange rates prevailing on the date of Balance Sheet. Any profit/loss arising out of such conversion is charged to Profit and Loss Account.

16.3 Borrowings in foreign currency are converted at exchange rate prevailing on the date of Balance Sheet or forward contract rates, as the case may be. Exchange fluctuations/hedging costs on borrowings in foreign currency for acquisition of fixed assets are adjusted to the cost of assets and corresponding liability account.

16.4 Derivative transactions entered into by the Corporation to manage the exposures to fluctuations in interest rates and foreign currencies are treated as off Balance Sheet transactions. Gain or Loss arising therefrom are recognized as and when settlement takes place in accordance with the terms of the contract.

17. GOVERNMENT GRANTS

17.1 In case of depreciable assets, the cost of the asset is shown at gross value and grant thereon is taken to Capital Reserve as deferred income, which is recognised in the Profit and Loss Account over the useful life of the asset.

17.2 Government grants of the nature of promoters' contributions are credited to Capital Reserve and treated as part of Shareholders' Funds.

18. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

18.1 Capital commitments and Contingent liabilities disclosed are those which exceed Rs.0.10 million in each case.

18.2 Contingent liabilities in respect of show cause notices issued by various Government authorities are considered only when converted into demand.

19. TAXES ON INCOME

19.1 Provision for current tax is made in accordance with the provisions of the Income Tax Act , 1961.

19.2 Deferred tax on account of timing difference between taxable and accounting income is provided using the tax rates and tax laws enacted or substantially enacted by the Balance Sheet date.

B. NOTES FORMING PART OF ACCOUNTS

1. Deferred Tax Liability

As per the requirement of the Accounting Standard 22 on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India the net deferred tax liability charged to Profit during the year is **Rs. 758.39 million** (previous year Rs. 476.59 million). The year end position of Deferred Tax Liability and Asset is given below:

		Rs. Million
	31-3-2004	31-3-2003
DEFERRED TAX LIABILITY		
Depreciation	**10,176.79**	8,759.89
Others	**81.04**	472.68
Total	**10,257.83**	9,232.57
DEFERRED TAX ASSET		
Provisions for doubtful debts/ claims/ investments	**999.42**	870.32
Provisions for medical benefits etc.	**126.56**	109.90
Disallowed u/s 43B of Income Tax Act, 1961	**610.68**	514.58
Others	**297.22**	272.21
Total	**2,033.88**	1,767.01
Net Deferred Tax Liability	**8,223.95**	7,465.56

2. In respect of sale of subsidised LPG (Domestic) and SKO(PDS), as advised by the Ministry of Petroleum & Natural Gas, a part of the under-recovery suffered by the Oil Marketing Companies during the year was compensated by ONGC and GAIL, by offering discount on price of Crude Oil, SKO and LPG purchased from them. Accordingly, the Corporation has accounted the discount received as follows:

a) Rs. 5,171.93 million discount received on crude oil purchased from ONGC has been adjusted against raw material cost; and

b) Rs. 652.08 million discount received on SKO and LPG purchased from ONGC/GAIL has been adjusted against "Purchase of product for resale".

3. During the year, the pricing formula of Bombay High crude oil, purchased from ONGC, was revised retrospectively from 1.4.2002. As a result, a credit of Rs 1,797.49 million pertaining to previous year has been adjusted under raw material consumption.

4. Pending finalisation of a scheme by Government of India in respect of irrecoverable state taxes for the year 2003-04, Rs. 1,716.89 million has been provided as net liability towards surrender of state surcharge collected on sale of products viz. MS, HSD, SKO (PDS) and LPG (Domestic), in line with the scheme which existed during 2002-03.

5. The Corporation is operating under a single segment, that is, downstream petroleum sector (Refining and Marketing).

6. Provision for taxation in the Profit and Loss Account includes **Rs. 6.00 million** (previous year Rs. 5.00 million) towards wealth tax.

7. The Corporation has numerous transactions with other oil companies, which are reconciled on an ongoing basis and are subject to confirmation. Adjustment, if any, arising therefrom are not likely to be material.

8. The Corporation follows open item system of maintaining customer accounts included in "Sundry Debtors". The transactions continue to appear in the customer accounts till such time the same are matched and cleared. This is an ongoing process. The clearance of such open items is not likely to have a material impact on the outstandings or classification in the accounts.

9. Sundry debtors include **Rs. 618.94 million** (previous year Rs. 618.94 million) (net) due from a customer, pertaining to the period November 1992 to June 1996 and September 1997 to January 1999, towards price revision of a product, disputed by the customer. The dispute was referred to an arbitrator, who has awarded the case in favour of the Corporation along with interest. Both single bench and division bench of Mumbai High Court confirmed the award passed in favour of the Corporation. The customer has filed Special Leave Petition in the Supreme Court challenging the division bench order. In view of the pendency of the matter in the Supreme Court, no effect is given in the accounts in respect of interest awarded by the arbitrator.

10. The Corporation has undertaken to provide Petronet CCK Ltd., a JV Company, interest bearing advances to cover shortfalls, if any, in payments of principal and / or interest to lenders under the facility agreement to be signed between the lenders and Petronet CCK Ltd.

11. The Corporation jointly with other promoter companies has provided guarantees / commitment letter towards meeting certain construction cost and certain obligations of Petronet LNG Limited to the supplier of LNG / consortium of shippers of LNG. The Corporation's guarantee is limited to 25% of the obligation and Petronet LNG Limited has provided counter guarantee to the Corporation to this extent.

12. Earnings per share

		2003-04	2002-03
Profit after Tax	Rs. Million	**16,945.68**	12,500.28
Weighted average shares outstanding during the year	million nos.	**300**	300
Basic earnings per share	Rs.	**56.49**	41.67
Diluted earnings per share	Rs.	**56.49**	41.67

13. The names of the Small Scale Industrial Undertakings to whom the Corporation has outstanding for more than 30 days are as under:

Abasi Engineering Works, Acoustics India Pvt. Ltd., Advance Petrochemicals Ltd., Advance Reinforced Plastics Pvt. Ltd., Airox Nigen Equipments Pvt. Ltd., Akash Constructions, Apex Forgings & Fittings, Asso. Cyls And Accessories Pvt Ltd., B.T.Perumal, Balaji Electrical Engg Works, Bangalore Spemach Pvt. Ltd., Blue Star Limited, BSJ Shau Manufacturers (India), C.Ganeson, Campaign Committee For 2nd World, Canon Sports & Gifts, Carol Petroleum Private Limited, Central Stores Supplying Co., Ch.Chennakeswara Reddy, Chandawat Udyog Cyls.Ltd., Chandra Engg. & Mech. Pvt. Ltd., Chembonddrewtreat Limited, Chemtrols Engg.Ltd., Chennai Valves, Chhabi Electricals Pvt. Ltd., Commercial Supplying Agency, Das Construction Co., Daya Lubricants Pvt. Ltd., Del PD Pumps And Gears (P) Ltd., Delta Corporation, Dembla Valves Pvt. Ltd., De's Technico, Dessma Engg Pvt. Ltd., Divya Constructions, Driescher & Panickker Switch Gear Ltd., E.Anil Kumar, EBY Fastners, Encon (India), Eskay Industries, Evergreen Engg. Co.Ltd., FCG Power Industries P. Ltd., Fivebros Corporation, Flameproof Equipments Pvt. Ltd., Flow Chem Industries, Francis Leslie & Co., G.D.R. Cylinders (P) Ltd., Gamzen Plast P Ltd., Global Engineers, Global Gas Cylinders Ltd., Gokul Distributors, Grand Prix Fab (P) Ltd., Gratex Industries Ltd., GSN.Prasad & Co, Gujarat Gas Equips. Pvt. Ltd., Gujarat Infrapipes Pvt. Ltd., Gurubani Security Pvt. Ltd., Gurunanak Engineering Works, Hyderabad Cylinders Pvt. Ltd., Hyderabad Valves Private Limited, Hydropneumatics, I.Muni Mohan Reddy, Industrial Engrs. & Fabricator, Instrumentation Engineers Pvt. Ltd., Intech

Engineering & Services, International Cylinders Pvt. Ltd., J.Venkateswara Rao, Jaishri Engineering Corporation, Jesmajo Indtl.Fabrications - K, Jindal Forging Pvt. Ltd., Jorss Rubber Polymers, Joseph Leslie & Co., Joseph Leslie Drager Manufactu, K.Venkata Ramana, K.Venkata Ramesh, Kanyaka Parameshwari Engg. Pvt. Ltd., Kartik Steels Limited, Konark Cylinders & Containers , Kunj Forgings, Lalit Profiles & Steel Inds. Ltd., Laraon Engineers & Consultants, Laxmi Air Control Pvt. Ltd., Leakproof Engineering (I) Pvt. Ltd., Lloyd Insulations(India) Ltd., Lunar Engineering Work, M.S.Fittings Manufacturing Co. P Ltd., M.Veeraiah, Madras Industrial Product, Maharshi Labels Pvt. Ltd., Mahaveer Cylinders Ltd., MAS Sealing Systems (P) Ltd., Mecord Systems & Services Pvt. Ltd., Mercantile & Industrial Development Co. Ltd., Metalife, Metcraft Engg Corporation, Mikroflo Filters (P) Ltd., Minco India Pvt. Ltd., Multimetals Limited, Multitex Filteration Engineers Pvt. Ltd., Nagman Instruments & Electronics, Nand Kishore Khanna & Sons., New Age Hose Manufacturing Co., New Fire Engineers, New Age Industries, Nirma Pipes & Fittings Industries, Nitin Fire Protection Industries, North Bengal Refrigeration, Om Containers, P. Venkateswarlu, Padavi Engineers & Pressure Ve, Paramount Forge, Parmar Technoforge, Patalay Pneumatics, Pentax Engineering P. Ltd. Piping & Energy Products Pvt. Ltd., Polycab Industries, Precision Components, Premier Grinders & Packers Pvt. Ltd., Presidency Rubber Mills Pvt. Ltd., R.M. Cylinders (P) Ltd., R.V.Narayana Murthy, Reliable Enterprises, S.V.Enterprises, S.V. Enterprises, Safess Quality Management Pvt. Ltd., Safety Services, Sai Construction, Sanghvi Cylinders Ltd., Sapthagiri Contractors, Sarathi Engineering Enterprise, Sawan Engineers, Shanbagam Industries, Shanti Industries, Sharp Tanks & Structural Pvt. Ltd., Shreenath Packaging Industries, Shri Sainath Enterprises, Siepmann's Card Systems Pvt. Ltd., Sign Technic Industries Pvt. Ltd., Sinex System Pvt. Ltd., Southern Cylinders Pvt. Ltd., SPEC Engineering, Spring Supports Manufacturing, Sree Srinivas Cylinders Pvt. Ltd., Sri Balaji Valves Pvt. Ltd., Sridhar Engineering And Rubber Products P Ltd., Standard Castings Pvt. Ltd., Stanhope Seta Ltd., Steel Age Industries Limited., Sunbird Seals & Plastics Pvt. Ltd., Sunrays Engineers Pvt. Ltd., Super Fire Engineering Pvt. Ltd., Super Gasket Industries, Super Industries, Supreme Electroplast Industries, Swelore Engg Pvt. Ltd., Syndicate Engineering Industries, Tarun Bharat Associates, Taurian Tubes, Teekay Tubes Pvt. Ltd., The Punjab Steel Works, Thomson Press (India) Limited, Toto Packaging Pvt. Ltd., Triangle Simulation P. Ltd., Tribotech, Tube Bend (Calcutta) Pvt. Ltd., Turbomachinery Engineering, V.K.Enterprises, Vaibhav Body Builders, Venus Enterprises, Verny Containers Private Limit, Vidarbha Gas Vessels Pvt. Ltd., Vijay Sabre Safety Ltd., Vimal Fire Controls Pvt. Ltd., Vishnu Engineering, Vishvakarma Forging Ind. Pvt. Ltd., Wadia Body Builders, Zenith Fire Services, Zenith Rubber & Plastic Works.

The above information is given to the extent available with the Corporation.

14. In compliance of AS - 27 'Financial Reporting of Interests in Joint Ventures, the required information is as under:

a) Jointly controlled operations: The Corporation has entered into production sharing oil and gas exploration contracts with the Government of India and other body corporates as follows:

Name	**Participating Interest of BPCL (%)**	
	31.03.2004	31.03.2003
IN INDIA		
Under NELP - IV Block		
KG/DWN/2002/1	**10%**	—
MN/DWN/2002/1	**10%**	—
CY/ONN/2002/2	**40%**	—
OUTSIDE INDIA	**NIL**	NIL

b) Jointly controlled entities:

	Country of Incorporation	Percentage of ownership interest as on 31/03/2004	Percentage of ownership interest as on 31/03/2003
Indraprastha Gas Limited	India	**22.50**	22.50
Petronet India Limited	India	**16.00**	16.00
Bharat Shell Limited	India	**49.00**	49.00
Petronet CCK Limited	India	**49.00**	49.00
Petronet CI Limited	India	**11.00**	11.00
Petronet LNG Limited	India	**12.50**	12.50
Bharat Oman Refineries Limited	India	**50.00**	50.00
VI e Trans Private Limited	India	**33.33**	33.33

c) In respect of Jointly controlled entities, the Corporation's share of assets, liabilities, income, expenditure, contingent liabilities and capital commitments as furnished below, have been included on the basis of unaudited/audited financial statements received from these joint ventures:

(Rs. in Million)

		31.03.2004	31.03.2003
(i)	Assets		
	- Fixed Assets	**4,988.01**	4,226.36
	- Investments	**152.55**	85.44
	- Current Assets	**1,268.59**	631.99
(ii)	Liabilities		
	- Loans (Secured & Unsecured)	**2,676.90**	2,352.59
	- Current Liabilities and Provisions	**585.15**	543.05
	- Deferred Tax	**71.82**	35.70
(iii)	Income	**2,214.78**	1,804.78
(iv)	Expenses	**2,050.90**	1,682.02
(v)	Contingent Liabilities	**377.28**	174.10
(vi)	Capital Commitments	**880.73**	1,431.45

15. Related Party Disclosures as per Accounting Standard 18

Names of the Related parties (JVC) : Indraprastha Gas Limited, Petronet India Limited, Bharat Shell Limited, Petronet CCK Limited, Petronet CI Limited, Petronet LNG Limited, Bharat Oman Refineries Limited, VI e Trans Pvt. Limited, Petroleum Infrastructure Limited, Cochin International Airport Limited.

Key Management Personnel : M/s. Sarthak Behuria (Chairman & Managing Director), Ashok Sinha (Director Finance), S. A. Narayan (Director HR), S. Radhakrishnan (Director Marketing), M. Rohatgi (Director Refineries)

Nature of Transactions

	2003-04	Rs. Million 2002-03
Joint Venture Companies (JVC)		
a. Purchase of goods	**150.10**	80.31
b. Rendering of services	**0.93**	—
c. Receiving of Services	**316.04**	234.22
d. Interest received	**5.67**	2.36
e. Sale of materials	—	27.51
f. Purchase of materials	—	0.60
g. Equity contribution	**723.83**	251.46
h. Loans and advances	**52.57**	2.50
i. Outstanding as on 31.3.2004		
- Receivable	**46.99**	37.58
- Payable	**7.30**	58.95
j. Management Contracts (Employees on deputation to JVC)	**47.86**	48.58
k. Guarantees given	—	637.50
l. Rental Income	**2.40**	—

Key Management Personnel (Whole time directors)
Details of remuneration to directors are given in note 19 of Notes to Accounts.

16. INTANGIBLE ASSETS

In accordance with Accounting Standard 26, details of Intangible Assets recognised and amortised during the year are given below:
(Refer para 4 of Part A of Schedule X - Statement of Significant Accounting Policies and Notes forming part of Accounts)

Rs. Million

PARTICULARS	AMORTISATION PERIOD (NO.OF YEARS)	GROSS AMOUNT AS AT 01-04-03	GROSS AMOUNT ADDITIONS	GROSS AMOUNT AS AT 31-03-04	AMORTISATION UPTO 31-03-03	AMORTISATION THIS YEAR	AMORTISATION UPTO 31-03-04	NET AMOUNT AS AT 31-03-04	NET AMOUNT AS AT 31-03-03
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1. RIGHT OF WAY	Perennial	38.26	60.36	98.62	-	-	-	98.62	38.26
2. SOFTWARE	3	-	30.34	30.34	-	2.97	2.97	27.37	-
PENDING AMORTISATION*									
PROCESS LICENSE		-	1.34	1.34	-	-	-	1.34	-
TOTAL		38.26	92.04	130.30	-	2.97	2.97	127.33	38.26
PREVIOUS YEAR		38.26	-	38.26	-	-	-	38.26	38.26

There are no internally generated Intangible Assets.

* To be amortised from the time the Intangible Asset starts providing economic benefits.

17. Capital Commitments and Contingent Liabilities :

	Rs. Million	31/03/2003 Rs. Million
17.1 Capital Commitments :		
Estimated amount of contracts remaining to be executed on capital account and not provided for	**6,457.59**	11,425.13
17.2 Contingent Liabilities :		
(a) In respect of taxation matters of prior years	**1,300.10**	839.42
(b) Other Matters :		
(i) Surety bonds executed on behalf of other oil companies for excise/customs duties for which BPCL has signed as surety	**1,930.46**	1,262.76
(ii) Claims against the Corporation not acknowledged as debts :		
(a) Excise and customs matters	**2,786.24**	2,756.51
(b) Sales tax matters	**5,509.67**	5,642.57
(c) Others	**4,260.81**	1,352.42
These include **Rs. 2,899.96 million** (previous year Rs. 1,801.83 million) against which the Corporation has a recourse for recovery and **Rs. 702.91 million** (previous year Rs. 438.37 million) on capital account.		
(iii) Claims on account of wages, bonus/ex-gratia payments in respect of pending court cases.	**81.82**	72.90
(iv) Guarantees on behalf of other companies*	**2,560.10**	2,548.75

* Corporation has jointly with other promoter companies, given guarantees in favour of banks and financial institutions for short term loans extended to Petronet LNG Limited. The Corporation's share in the guarantee is Rs. 3,500 million. Petronet LNG Limited has given counter guarantee in favour of the Corporation for the said amount. Based on the outstanding loan of Rs. 10,240.00 million in the books of Petronet LNG Limited as on 31.03.2004, the Corporation's share is Rs. 2,560.10 million.

18. 18.1 The net amount of exchange difference credited to the Profit and Loss Account is **Rs. 637.91 million** (previous year Rs. 91.00 million).

18.2 The amount of exchange difference debited to the carrying cost of fixed assets is **Rs. 17.33 million** (previous year credited Rs. 1.77 million).

18.3 The exchange difference amounting to **Rs. 1.65 million** (previous year Rs. 0.51 million) in respect of forward exchange contract will be recognised in the Profit and Loss Account of one or more accounting periods.

19. Managerial Remuneration :

	Rs. Million	2002-03 Rs. Million
Salary and allowances	**2.86**	2.54
Contributions to Provident Fund and other funds	**0.35**	0.35
Other benefits	**1.62**	1.61
	4.83	4.50

Includes **Rs. Nil** (previous year Rs. 0.37 million) paid on account of salary revision as per directive of Department of Public Enterprises/Ministry of Petroleum & Natural Gas.

20. Remuneration to Auditors :
Including Service Tax

	Rs. Million	2002-03 Rs. Million
(a) Audit Fees	**0.92**	0.92
(b) Fees for other services-certification	**0.86**	0.65
(c) Reimbursement of out of pocket expenses	**0.05**	0.05
	1.83	1.62

21. Licensed Capacity, Installed Capacity (as certified by the Management) and actual production in respect of goods manufactured :

	Licensed Capacity	Installed Capacity	Actual Production
(a) Fuel refinery			
(i) In million metric tonnes p.a.	**N.A.** (N.A.)	**6.90** * (6.90) *	**8.76** (8.71)
(ii) Production in kilolitres (KL) Light distillates	—	—	**3,396,362** (3,531,359)
Middle distillates	—	—	**5,016,350** (5,220,691)
Others	—	—	**1,797,016** (1,538,680)
(b) Aromatics			
(i) Benzene in metric tonnes (MT)	**98,300** (98,300)	**105,700** (105,700)	**43,178** (69,798)
(ii) Toluene in M.T.	**17,600** (17,600)	**23,100** (23,100)	**12,759** (20,013)
(c) Lubricants in M.T.	**N.A.** N.A.	**181,000** (90,000)	**101,245** (112,730)
(d) Sulphur in M.T.	**N.A.** N.A.	**30,000** (30,000)	**10,200** (11,950)

* The designed capacity is based on processing of neat Middle East Crude.

22. Raw materials consumed :

	Quantity		Value
	KL	MT	Rs. Million
Crude Oil	—	**8,711,869** (8,740,417)	**88,873.74** (95,881.72)
Others	—	**48,979** (19,076)	**1,227.72** (298.58)
Base oil	**94,372** (102,506)	—	**1,988.10** (1,635.42)
Additive	—	**11,598** (13,968)	**781.11** (874.84)
			92,870.67 (98,690.56)

23. Finished goods purchased, sold and stocked :

Petroleum Products	Opening Stock Quantity MT	Opening Stock Value Rs. Million	Purchases Quantity MT	Purchases Value Rs. Million
Light Distillates	**407,259**	**9,795.25**	**5,052,072**	**111,721.44**
	(394,871)	(6,869.86)	(4,616,816)	(95,905.78)
Middle Distillates	**1,378,419**	**26,738.40**	**11,948,694**	**204,615.76**
	(1,302,635)	(16,234.14)	(11,579,589)	(186,043.25)
Others	**175,704**	**2,012.81**	**876,530**	**8,635.72**
	(169,300)	(1,550.53)	(1,194,190)	(11,830.68)
Aromatics				
(a) Benzene	**4,349**	**111.01**	**951**	**24.64**
	(733)	(14.15)	—	—
(b) Toluene	**258**	**5.98**	—	—
	(435)	(7.83)	—	—
Lubricants	**19,764**	**890.38**	**1,059**	**99.56**
	(20,860)	(894.05)	(1,152)	(99.46)
Crude Oil	—	—	**41,289**	**429.34**
	—	—	(101,436)	(1,053.21)
Others (Grocery)	—	**2.57**	—	**33.71**
	—	—	—	(23.99)
		39,556.40		**325,560.17**
		(25,570.56)		(294,956.37)

Petroleum Products	Sales Quantity MT	Sales Value Rs. Million	Closing Stock Quantity MT	Closing Stock Value Rs. Million
Light Distillates	**7,489,130**	**186,157.15**	**400,969**	**10,341.63**
	(7,003,248)	(164,906.86)	(407,259)	(9,795.25)
Middle Distillates	**15,578,751**	**310,103.91**	**1,276,847**	**23,749.48**
	(15,781,588)	(279,348.96)	(1,378,419)	(26,738.40)
Others	**2,579,984**	**29,571.83**	**206,770**	**2,077.76**
	(2,671,193)	(31,192.08)	(175,704)	(2,012.81)
Aromatics				
(a) Benzene	**45,722**	**1,229.06**	**2,469**	**63.02**
	(66,188)	(1,644.30)	(4,349)	(111.01)
(b) Toluene	**8,176**	**247.41**	**476**	**11.37**
	(19,473)	(481.45)	(258)	(5.98)
Lubricants	**111,704**	**6,709.61**	**16,149**	**792.08**
	(117,276)	(6,369.13)	(19,764)	(890.38)
Crude Oil	**41,289**	**429.34**	—	—
	(101,436)	(1,053.21)	—	—
Others (Grocery)	—	**35.28**	—	**2.49**
	—	(27.54)	—	(2.57)
		534,483.59		**37,037.83**
		(485,023.53)		(39,556.40)

(a) Purchases excludes inter product transfers.

(b) Purchases of petroleum products exclude payments to third parties for processing fees **Rs. 128.32 million** (previous year Rs. 94.11 million) but include own consumption and samples **Rs. 102.18 million** (previous year Rs. 90.56 million).

24. Value of imports calculated on C.I.F. basis (excludes imports through canalising agents) :

	Rs. Million	2002-03 Rs. Million
(a) Raw Materials (including crude oil)	**46,391.78**	31,561.25
(b) Capital goods	**499.12**	286.29
(c) Components and spare parts (including packages, chemicals and catalysts)	**1,574.63**	218.22

25. Expenditure in foreign currency (on cash basis) :

	Rs. Million	2002-03 Rs. Million
(a) Purchase of products	**677.57**	82.04
(b) Know-how	**2.27**	10.11
(c) Professional Consultancy Fees	**141.78**	92.70
(d) Other matters	**239.52**	645.31

26. Value of raw materials, stores/spare parts and components including packages, chemicals & catalysts consumed (on derived basis) :
(Import includes import through canalisation.)

	Imported		**Indigenous**		**Total**
	Rs. Million	**%**	**Rs. Million**	**%**	**Rs. Million**
Crude Oil	**50,428.64**	**56.74**	**38,445.10**	**43.26**	**88,873.74**
	(34,704.29)	(36.19)	(61,177.43)	(63.81)	(95,881.72)
Others	**38.01**	**3.10**	**1,189.71**	**96.90**	**1,227.72**
	(13.04)	(4.37)	(285.54)	(95.63)	(298.58)
Base Oil	**458.95**	**23.08**	**1,529.16**	**76.92**	**1,988.10**
	(149.89)	(9.17)	(1,485.53)	(90.83)	(1,635.42)
Additive	**86.21**	**11.04**	**694.89**	**88.96**	**781.11**
	(50.57)	(5.78)	(824.27)	(94.22)	(874.84)
Stores/Spare parts and Components (including	**110.32**	**8.55**	**1,179.71**	**91.45**	**1,290.03**
packages,chemicals & catalysts)	(87.99)	(6.94)	(1,180.59)	(93.06)	(1,268.58)

27. Earnings in foreign exchange :

	Rs. Million	2002-03 Rs. Million
Exports at F.O.B. value on own account #	**13,192.11**	11,908.82
Management contract	**12.27**	4.29

Includes receipt of **Rs. 5,891.36 million** (previous year Rs.5,415.00 million) in Indian currency out of the repatriable funds of foreign airline customers.

28. Expenditure on social overheads :

	Rs. Million	2002-03 Rs. Million
(a) Expenditure on township [net of recovery **Rs. 6.31 million** (previous year Rs.1.93 million)]	**8.39**	8.68
(b) Medical facilities over and above statutory requirements	**2.82**	1.88
(c) Social and cultural activities	**43.56**	48.62
(d) Depreciation on capital assets (as indicated in Schedule 'D')	**7.89**	7.71

29. Profit and Loss Account includes expenditure on :

	Rs. Million	2002-03 Rs. Million
(a) Entertainment	**3.52**	1.75
(b) Public relations and publicity	**31.55**	30.90
(c) Remuneration to staff employed for public relations work	**8.75**	10.07

30. Research and development :

	Rs. Million	2002-03 Rs. Million
(a) Revenue expenditure	**85.74**	64.41
(b) Capital expenditure	**52.55**	125.41

	Rs. Million	2002-03 Rs. Million
31. Value Added	**57,742.86**	52,030.93

32. STATUTORY INFORMATION PURSUANT TO PART-IV OF SCHEDULE-VI TO THE COMPANIES ACT, 1956

Balance Sheet Abstract and Companies General Business Profile

I. Registration Details

Registration No. 8931/TA/III of 1952 - 53 | State Code 11

Balance Sheet Date: 31 (Date) 03 (Month) 2004 (Year)

II. Capital raised during the year (Rs. million)

Public Issue	Right Issue
NIL	NIL
Bonus Issue	**Private Placement**
NIL	NIL

III. Position of Mobilisation and Deployment of Funds (Rs. million)

	Total Liabilities	Total Assets
	177719.54	177719.54
Sources of Funds (excluding deferred tax liability)	Paid-up Capital	Reserves & Surplus
	3000.00	55497.23
	Secured Loans	Unsecured Loans
	19737.41	7159.80
Application of Funds	Net Fixed Assets	Investments
	74534.80 *	19769.71
	Net Current Assets	Misc. Expenditure
	-686.12	NIL
	Accumulated Losses	
	NIL	

*Includes Capital work-in-progress

IV. Performance of Company (Rs. million)

Turnover	Total Expenditure
539152.09 *	512796.94
+ - Profit/Loss Before Tax	+ - Profit/Loss After Tax
+ 26355.15	+ 16945.68
Earning per Share in Rs.	Dividend rate %
56.49	175

* Includes miscellaneous income

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)	2710
Product Description	PETROLEUM PRODUCTS
Item Code No. (ITC Code)	2902
Product Description	BENZENE
Item Code No. (ITC Code)	2710
Product Description	LUBRICANTS

Note : ITC code of products as per Indian Trade Classification based on harmonised commodity description and coding system by Ministry of Commerce, Directorate General of Commercial Intelligence & Statistics.

30. Figures of the previous year have been regrouped wherever necessary, to conform to current year presentation.

Signature to Schedules 'A' to 'X'

For and on behalf of the Board of Directors

Sd/-
SARTHAK BEHURIA
Chairman and Managing Director

Sd/-
ASHOK SINHA
Director (Finance)

Sd/-
D. M. NAIK BENGRE
Company Secretary

Place : Mumbai
Dated : May 20, 2004

CASH FLOW STATEMENT

For the year ended 31st March	Notes	2004 Rs. Million	2003 Rs. Million
A Cash Flow from Operating Activities			
Net Profit Before tax and prior period items		**26,690.40**	19,865.16
Adjustments for :			
Depreciation		**5,611.57**	4,809.24
Interest paid		**1,049.72**	2,459.46
Foreign Exchange Fluctuations	Note 3	**(368.74)**	(95.22)
(Profit)/Loss on Sale of fixed assets		**1.62**	7.11
Income from Investments		**(617.48)**	(741.51)
Dividend Received		**(1,129.48)**	(403.18)
Other Non-Cash items	Note 4	**887.37**	241.41
Operating Profit before Working Capital Changes		**32,124.98**	26,142.47
Invested in :			
Trade Receivables		**(380.90)**	1,247.44
Other receivables		**4,558.29**	(10,854.14)
Inventory		**1,155.71**	(14,948.90)
Current Liabilities & Payables		**(3,953.31)**	29,386.81
Cash generated from Operations		**33,504.77**	30,973.68
Direct Taxes paid		**(6,839.11)**	(6,690.08)
Cash flow before prior period items		**26,665.66**	24,283.60
Prior Period Items		**(335.25)**	70.21
Non-Cash items		**6.43**	(23.46)
Net Cash from Operating Activities		**26,336.84**	24,330.35

For the year ended 31st March	Notes	2004 Rs. Million	2003 Rs. Million
B Net Cash Flow on Investing Activities			
Purchase of fixed assets	Note 5	**(16,164.50)**	(12,232.13)
Sale of fixed assets		**32.47**	52.00
Investment in Joint Venture Companies			
Petroleum India International		**(9.66)**	(16.29)
Petronet CCK Ltd.		**—**	(247.00)
Petronet CI Ltd.		**—**	(4.40)
Petronet LNG Ltd.		**(987.44)**	(0.06)
Sale of Investments		**2,285.00**	2,600.03
Income from Investment		**617.48**	740.18
Dividend Received		**1,129.48**	403.18
		(13,097.17)	(8,704.49)
C Net Cash Flow on Financing Activities			
Long term Borrowings		**351.09**	1,535.39
Repayment of loans		**(4,495.43)**	(2,339.97)
Interest paid		**(1,411.59)**	(2,807.17)
Interim Dividend Paid		**(2,030.63)**	(600.00)
Dividend Paid		**(3,900.00)**	(3,300.00)
Corporate Dividend Tax		**(499.69)**	—
Effect of exchange differences on foreign currency forward contract		**85.63**	4.22
Net Cash Flow on Financing Activities		**(11,900.61)**	(7,507.53)
D Net Increase/(Decrease) in Cash and Cash equivalents (A+B+C)		**1,339.06**	8,118.33

Cash and Cash equivalents as at 31st March	2003 Rs. Million	2002 Rs. Million
Cash in Hand	**2,224.66**	1,942.74
Cash at Bank	**4,218.73**	1,145.03
Cash in transit	**299.17**	357.32
Cash Credit from scheduled banks	**(17,445.05)**	(15,265.91)
Unsecured loans from scheduled banks/ICDs/CPs	**—**	(7,000.00)
	(10,702.49)	(18,820.82)

Cash and Cash equivalents as at 31st March	**2004**	2003
Cash in Hand	**4,049.44**	2,224.66
Cash at Bank	**2,093.41**	4,218.73
Cash in transit	**123.19**	299.17
Cash Credit from scheduled banks	**(12,761.80)**	(17,445.05)
Unsecured loans from scheduled banks/ICDs/CPs	**(2,867.68)**	—
	(9,363.43)	(10,702.49)
Net change in Cash and Cash equivalents	**1,339.06**	8,118.33

Explanatory notes to Cash Flow Statement

1. The Cash Flow Statement is prepared in accordance with the format prescribed by Securities and Exchange Board of India and as per Accounting Standard 3 prescribed by the Institute of Chartered Accountants of India.
2. In Part-A of the Cash Flow Statement, figures in brackets indicate deductions made from the Net Profit for deriving the net cash flow from operating activities. In Part-B and Part-C, figures in brackets indicate cash outflows.
3. The net profit/loss arising due to conversion of current assets/current liabilities receivable/payable in foreign currency is furnished under the head "Foreign Exchange Fluctuations".
4. “Other Non-Cash items” include excess provisions written back, foreign exchange adjustments, diminution in value of investment, transfer to Capital reserve, Bad debts and materials written off and miscellaneous adjustments not affecting cash flow.
5. “Purchase of Fixed Assets” is after reduction of liability by Rs.17.33 million (2002-03 additional liability of Rs. 1.77 million) arising on account of exchange rate variation during the year.
6. Figures of the previous year have been regrouped wherever necessary, to conform to current year’s presentation.

For and on behalf of the Board of Directors

Sd/-
SARTHAK BEHURIA
Chairman and Managing Director

As per our attached report of even date

For and on behalf of
V. SANKAR AIYAR & CO.
Chartered Accountants

Sd/-
S. VENKATRAMAN
Partner

Place : Mumbai
Dated : 20th May, 2004

CONSOLIDATED FINANCIAL STATEMENTS OF BHARAT PETROLEUM CORPORATION LIMITED

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors
Bharat Petroleum Corporation Ltd.

1. We have examined the attached Consolidated Balance Sheet of Bharat Petroleum Corporation Limited, its subsidiaries and its joint ventures as at 31st March, 2004 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of Bharat Petroleum Corporation Limited's management. Our responsibility is to express an opinion on these consolidated financial statements based on our examination.

2. We did not audit the financial statements of the two Subsidiary Companies and six joint ventures, whose financial statements in the aggregate, reflect total assets of Rs. 83,416.53 million as at 31st March, 2004 and the total revenues of Rs. 1,36,964.52 million for the year ended on that date. The financial statements and other information of these subsidiary companies and joint ventures have been audited by other auditors and we have relied upon such audited financial statements for the purpose of our examination of the consolidated financial statements. The reports on these audited financial statements have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of the Subsidiary Companies and in respect of the interests in these joint ventures, is based solely on the reports of the other auditors.

3. We conducted our audit in accordance with the generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS-21) on "Consolidated Financial Statements" and Accounting Standard (AS-27) on "Financial Reporting of Interests in Joint Ventures", issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Bharat Petroleum Corporation Limited, its subsidiaries and joint ventures included in the Consolidated Financial Statements.

5. On the basis of the information and explanations given to us on consideration of the separate audit reports on individual audited financial statements of Bharat Petroleum Corporation Limited, its subsidiaries and joint ventures, in our opinion the consolidated financial statements together with the notes thereon and attached thereto give a true and fair view in conformity with the accounting principles generally accepted in India:-

(i) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of Bharat Petroleum Corporation Limited, its subsidiaries and its interests in joint ventures as at 31st March, 2004;

(ii) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of Bharat Petroleum Corporation Limited, its subsidiaries and its interests in joint ventures for the year ended on that date; and

(iii) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of Bharat Petroleum Corporation Limited, its subsidiaries and its interests in joint ventures for the year ended on that date.

For **V. SANKAR AIYAR & CO.**
Chartered Accountants

Sd/-
S. VENKATRAMAN
Partner
Membership No.34319

Place : Mumbai
Date : July 8, 2004

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2004

	SCHEDULE	Rs. Million	31/03/2003 Rs. Million
I. SOURCES OF FUNDS			
1. Shareholders' funds :			
Share Capital	A	**3,000.00**	3,000.00
Reserves and Surplus	B	**62,589.24**	48,187.51
		65,589.24	51,187.51
2. Minority Interest :			
Share Capital		**3,350.25**	3,350.25
Reserves and Surplus		**9,013.11**	6,815.58
		12,363.36	10,165.83
3. Loan funds :	C		
Secured Loans		**25,766.40**	29,007.15
Unsecured Loans		**21,256.48**	29,179.87
		47,022.88	58,187.02
4. Deferred tax liability (net)		**14,441.72**	12,268.44
TOTAL		**139,417.20**	131,808.80
II. APPLICATION OF FUNDS			
1. Fixed Assets :	D		
Gross block		**161,542.25**	149,762.96
Less : Depreciation		**65,572.46**	57,549.31
Net block		**95,969.79**	92,213.65
Intangible Assets		**214.29**	116.33
Capital work-in-progress	E	**19,067.48**	13,507.17
		115,251.56	105,837.15
2. Investments	F	**6,612.61**	8,650.01
3. Current assets, loans and advances :			
Inventories	G	**57,423.33**	54,890.87
Sundry debtors	H	**14,710.80**	14,443.40
Cash and bank balances	I	**10,229.34**	11,564.07
Other current assets	J	**11.58**	23.91
Loans and advances	K	**28,730.87**	27,933.74
		111,105.92	108,855.99
Less : Current liabilities and provisions :			
Liabilities	L	**80,448.69**	81,166.78
Provisions	M	**13,116.93**	10,402.40
		93,565.62	91,569.18
Net current assets		**17,540.30**	17,286.81
4. Miscellaneous Expenditure to the extent not written off or adjusted		**12.73**	34.83
TOTAL		**139,417.20**	131,808.80
Statement of Significant Accounting Policies and Notes forming part of Accounts.	X		

For and on behalf of the Board of Directors
Sd/-
SARTHAK BEHURIA
Chairman and Managing Director

As per our attached report of even date
For and on behalf of
V. SANKAR AIYAR & CO.
Chartered Accountants
Sd/-
S. VENKATRAMAN
Partner

Place : Mumbai
Dated : 8th July, 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	SCHEDULE	Rs. Million	2002-03 Rs. Million
INCOME			
Sale of products & related income	N	**625,693.21**	569,252.62
Less: Excise Duty Paid		**(72,090.06)**	(65,482.31)
		553,603.15	503,770.31
Miscellaneous income	O	**4,263.61**	3,516.96
Increase/(Decrease) in Inventory	P	**(1,197.16)**	17,136.73
TOTAL		**556,669.60**	524,424.00
EXPENDITURE			
Purchase of products for resale		**267,524.52**	243,561.58
Raw materials consumed	Q	**200,614.16**	200,242.23
Packages consumed		**604.51**	615.39
Excise Duty on Inventory differential		**(190.59)**	1,973.33
Other Duties, taxes etc. and other charges applicable to products		**3,836.81**	2,279.55
Transportation		**13,996.42**	14,101.02
Consumption of stores, spares and materials	R	**570.22**	512.57
Power and Fuel	S	**347.00**	356.21
Employees' remuneration and other benefits	T	**8,041.80**	7,631.80
Interest	U	**2,576.66**	4,910.71
Other operating and administration expenses	V	**11,650.56**	11,338.78
Depreciation and Amortisation		**8,244.55**	7,361.51
Miscellaneous Expenditure Written off		**219.32**	36.62
TOTAL		**518,035.94**	494,921.30
Profit		**38,633.66**	29,502.70
Prior period income/(expenses) net	W	**(304.11)**	61.25
Profit before exceptional item & tax		**38,329.55**	29,563.95
Less: Loss on Sale of Liquefied Petroleum Gas Business		—	0.16
Profit before tax		**38,329.55**	29,563.79
Provision for Taxation			
- Current Tax		**11,807.55**	9,284.29
- Deferred Tax (Net)		**2,173.28**	1,901.56
Excess/(Short) provision for Taxation in earlier years written back/provided for		**(705.09)**	(153.54)
Profit after tax		**23,643.63**	18,224.40
Minority Interest		***3,304.63***	*2,697.04*
Net Income of the Group		***20,339.00***	*15,527.36*
Less: Deferred tax net for earlier years		—	567.79
Transfer to Debenture Redemption Reserve		**1,700.00**	2,070.00
Balance brought forward		**5,701.23**	3,625.39
Disposable Profit		**27,644.86**	19,212.00
Appropriations :			
Interim dividend paid (for 2002-03 subject to deduction of tax at source)		**1,800.00**	600.00
Final (proposed) dividend		**4,440.68**	4,721.93
Corporate Dividend Tax on interim and proposed Dividend		**974.55**	746.98
		7,215.23	6,068.91
Transferred to Special Reserve		—	3.73
Transfer to General Reserve		**11,306.60**	7,464.72
Balance Carried to Balance Sheet		**9,123.03**	5,674.64
Earnings per Share			
- Basic		**67.80**	51.76
- Diluted		**67.80**	51.76
Statement of Significant Accounting Policies and Notes forming part of Accounts	X		

For and on behalf of the Board of Directors

Sd/-
SARTHAK BEHURIA
Chairman and Managing Director

As per our attached report of even date

For and on behalf of
V. SANKAR AIYAR & CO.
Chartered Accountants

Sd/-
S. VENKATRAMAN
Partner

Place : Mumbai
Dated : 8th July, 2004

SCHEDULE 'A' — SHARE CAPITAL (CONSOLIDATED)

		31/03/2003
	Rs. Million	Rs. Million
Authorised		
300 million equity shares of Rs.10 each	**3,000.00**	3,000.00
	3,000.00	3,000.00
Issued, subscribed and paid-up		
300 million equity shares of Rs.10 each fully paid-up	**3,000.00**	3,000.00
Total	**3,000.00**	3,000.00

SCHEDULE 'B' — RESERVES AND SURPLUS (CONSOLIDATED)

		31/03/2003
	Rs. Million	Rs. Million
Capital Reserve		
As per last Balance Sheet	**434.04**	434.11
Less : Amortisation of Capital Grant	**(0.07)**	(0.07)
Less : Adjustment on acquisition of subsidiaries	**—**	—
	433.97	434.04
Capital Reserve on acquisition of subsidiaries	**1,729.88**	1,729.88
Debenture Redemption Reserve		
As per last Balance Sheet	**2,720.00**	650.00
Add : Transfer from Profit & Loss Account	**1,700.00**	2,070.00
	4,420.00	2,720.00
General Reserve		
As per last Balance Sheet	**44,440.80**	36,976.08
Add : Transfer from Profit & Loss Account	**11,297.36**	7,464.72
	55,738.16	44,440.80
Surplus as per Profit & Loss Account	**8,854.44**	5,564.73
	71,176.45	54,889.45
Less: Minority Interest	**9,013.11**	6,815.58
	62,163.34	48,073.87
Share of interest in Joint Ventures		
General Reserve	**9.24**	—
Surplus as per Profit & Loss Account	**268.59**	109.91
Special Reserve	**3.73**	3.73
Securities Premium	**144.34**	—
	425.90	113.64
Total	**62,589.24**	48,187.51

SCHEDULE 'C' — LOAN FUNDS (CONSOLIDATED)

	Rs. Million	31/03/2003 Rs. Million
Secured Loans		
Bonds		
BPCL Millennium Bonds Series - I (Option I) - Redeemable at par on 1st December 2006 with put and call option on 1st December 2004 (Secured by mortgage created on certain immovable properties of the Corporation)*	**2,500.00**	2,500.00
BPCL Debentures 2008 - Redeemable at par on 1st June 2008 with put and call option on 1st June 2006 (Secured by mortgage created on certain immovable properties of the Corporation) **	**4,450.00**	4,450.00
Banks		
Term Loans		
Secured in favour of participating banks ranking pari-passu inter-alia by hypothecation of Plant & Machinery, Vehicles and other Fixed Assets of NRL	**1,738.69**	2,032.14
[Due for repayment within one year **Rs 293.33 million** (Previous Year Rs 293.33 million)]		
Secured against Township Land & Building of NRL	**347.30**	415.30
[Due for repayment within one year **Rs 68.00 million** (Previous Year Rs 68.00 million)]		
Working Capital Loans/Cash Credit	**14,811.51**	18,261.08
(Secured in favour of the participating banks ranking pari passu inter alia by hypothecation of raw materials, finished goods, stock-in-process, book debts, stores, components and spares and all movables both present and future)		
Packing Credit	**452.60**	—
Interest accrued and due	**25.61**	27.08
Others		
Term Loans		
(Refinanced through Government of India) Secured by hypothecation of certain plant and machinery at BPCL Refinery [Due for repayment within one year **Rs. Nil** (previous year Rs. 3.18 million)]	**—**	3.18
	24,325.71	27,688.78
Share of interest in Joint Ventures	**1,440.69**	1,318.37
	25,766.40	29,007.15

* Interest payable at the rate of 12% per annum.

** Interest payable at the rate of 9.95% per annum on Rs. 3,450 million and at 9.90% per annum on Rs. 1,000 million

SCHEDULE 'C' — LOAN FUNDS (CONSOLIDATED)(CONTD.)

		31/03/2003
	Rs. Million	Rs. Million
Unsecured Loans		
Public deposits	**2,661.37**	3,706.60
[Due for repayment within one year **Rs. 811.24 million** (previous year Rs. 1,388.93 million)]		
Short Term		
From Banks	**2,867.85**	3,300.52
Packing Credit	**497.56**	—
OIDB	**14,025.28**	20,584.03
[Due for repayment within one year **Rs. 3,160.31 million** (previous year Rs. 4,163.16 million)]		
	20,052.06	27,591.15
Share of interest in Joint Ventures	**1,204.42**	1,588.72
	21,256.48	29,179.87
Total	**47,022.88**	58,187.02

SCHEDULE 'D' — FIXED ASSETS (CONSOLIDATED)

Rs. Million

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS AT 01-04-2003	ADDITIONS	DEDUCTIONS ON ACCOUNT OF RETIREMENT/ RECLASSIFICATIONS	**AS AT 31-03-2004**	UPTO 31-03-2003	THIS YEAR	DEDUCTIONS ON ACCOUNT OF RETIREMENT/ RECLASSIFICATIONS	**UPTO 31-03-2004**	**AS AT 31-03-2004**	AS AT 31-03-2003
(1)	(2)	(3)	(4)	**(5)**	(6)	(7)	(8)	**(9)**	**(10)**	(11)
1. LAND										
(a) Freehold	2,914.07	234.20	3.44	**3,144.83**	—	—	—	**—**	**3,144.83**	2,914.07
(b) Leasehold	608.60	83.34	—	**691.94**	76.24	10.49	—	**86.73**	**605.21**	532.36
2. BUILDINGS	19,629.22	2,675.67	9.77	**22,295.12**	1,956.69	422.29	3.56	**2,375.42**	**19,919.70**	17,672.53
3. RAILWAY SIDINGS	1,998.95	142.36	6.72	**2,134.59**	562.34	104.01	1.94	**664.41**	**1,470.18**	1,436.61
4. PLANT and MACHINERY	59,068.38	1,651.62	261.21	**60,458.79**	16,835.99	3,035.09	91.18	**19,779.90**	**40,678.89**	42,232.39
5. TANKS and PIPELINES	22,898.41	3,070.71	58.42	**25,910.70**	7,901.79	1,268.17	15.34	**9,154.62**	**16,756.08**	14,996.62
6. FURNITURE and FITTINGS	817.51	113.53	14.08	**916.96**	324.28	55.92	9.59	**370.61**	**546.35**	493.23
7. VEHICLES	830.67	76.70	29.73	**877.64**	443.74	65.11	22.41	**486.44**	**391.20**	386.93
8. OTHER ASSETS										
(a) Dispensing Pumps	4,477.03	990.85	1.21	**5,466.67**	1,036.88	223.73	0.05	**1,260.56**	**4,206.11**	3,440.15
(b) LPG Cylinders and Allied Equipment	25,203.78	2,235.69	43.75	**27,395.72**	25,203.78	2,235.69	43.75	**27,395.72**	**—**	—
(c) Sundries	8,471.21	1,529.98	75.73	**9,925.46**	2,924.93	701.75	53.53	**3,573.15**	**6,352.31**	5,546.28
TOTAL	**146,917.83**	**12,804.65**	**504.06**	**159,218.42**	**57,266.66**	**8,122.25**	**241.35**	**65,147.56**	**94,070.86**	**89,651.17**
Share of interest in Joint Ventures	**2,090.36**	**243.16**	**9.69**	**2,323.83**	**262.96**	**165.46**	**3.52**	**424.90**	**1,898.93**	**2,562.48**
Grand Total	**149,008.19**	**13,047.81**	**513.75**	**161,542.25**	**57,529.62**	**8,287.71**	**244.87**	**65,572.46**	**95,969.79**	**92,213.65**
Total 2002-03	140,118.72	8,165.56	1,366.45	146,917.83	50,355.44	7,256.20	344.98	57,266.66	89,651.17	89,763.28
Share of interest in Joint Ventures 2002-03	968.36	1,898.36	21.59	2,845.13	163.12	127.03	7.50	282.65	2,562.48	—
Grand Total 2002-03	141,087.08	10,063.92	1,388.04	149,762.96	50,518.56	7,383.23	352.48	57,549.31	92,213.65	89,763.28

NOTES

1) Land:-
   a) Freehold land of the group includes **Rs. 745.85 million** (previous year Rs. 616.29 million) for which conveyance deed / registration / execution of title deeds are pending.
   b) Leasehold land of the group includes gross block **Rs. 15.08 million** (previous year Rs. 40.99 million) which though in the possession, the lease deeds are yet to be registered.
   c) Freehold land of BPCL includes land costing **Rs. 21.27 million** (previous year Rs.21.27 million) which is in the process of being sold subject to approval of competent authority.
   d) Freehold land includes **Rs. 77.07 million** in respect of which mutation is pending.
2) Buildings pertaining to BPCL include:-
   a) Ownership flats of **Rs. 132.69 million** (previous year Rs. 132.69 million) in proposed / existing co-operative societies.
   b) Residential flats and office complex which are in possession of BPCL and in respect of which the lease deeds are yet to be registered: - Gross Block **Rs. 38.05 million** (previous year Rs. 38.05 million), Net Block **Rs. 33.65 million** (previous year Rs. 34.21 million).
3) Land, Plant & Machinery, Tanks & Pipelines, Railway Sidings and Buildings jointly owned by BPCL in varying extent with other Oil Companies / Railways :- Gross Block **Rs. 1,636.03 million** (previous year Rs. 1,553.04 million), Depreciation **Rs. 348.14 million** (previous year Rs. 259.28 million), Net Block **Rs. 1,287.90 million** (previous year Rs.1,293.76 million).
4) Buildings, Plant & Machinery and Sundries includes **Rs. 130.60 million** (previous year Rs.130.60 million) towards assets, ownership of which does not vest with the group. This amount has been amortised over a period of five years. The amount charged off as depreciation for the current year is **Rs. 12.35 million** (previous year Rs. 24.32 million).
5) Gross Block of the group includes **Rs. 112.01 million** (previous year Rs. 266.31 million) towards assets held for disposal at discontinued locations in respect of which additional depreciation has been provided to recognise the expected loss on disposal. The amount of additional depreciation so provided during the year is **Rs. 48.69 million** (previous year Rs. 44.58 million).
6) Interest in Joint Venture includes **Rs. 14.90 million** (previous year Rs. 14.90 million) towards land obtained under perpetual lease for which the lease agreement is not yet executed.

SCHEDULE 'E' — CAPITAL WORK-IN-PROGRESS (CONSOLIDATED)

		31/03/2003
	Rs. Million	Rs. Million
Capital work-in-progress (at Cost)		
Work-in-progress	**12,122.90**	7,484.98
Capital Advances (Unsecured, Considered good)	**537.82**	1,099.88
Capital stores including lying with contractors	**2,237.36**	1,375.77
Capital goods in transit	**18.52**	284.55
Construction period expenses		
Opening balance	**900.27**	502.34
Add : Expenditure during the year		
Establishment charges	**186.50**	142.61
Interest	**360.24**	258.85
Depreciation	**5.66**	0.75
Others	**76.21**	87.59
	1,528.88	992.14
Less : Allocated to assets during the year	**(371.40)**	(91.87)
Balance pending allocation at the end of the year	**1,157.48**	900.27
	16,074.08	11,145.45
Share of interest in Joint Ventures	**2,993.40**	2,361.72
Total	**19,067.48**	13,507.17

SCHEDULE 'F' — INVESTMENTS (CONSOLIDATED)

	Rs. Million	31/03/2003 Rs. Million
IN GOVERNMENT SECURITIES		
NON TRADE - QUOTED	**5,950.38**	7,950.38
IN SHARES, DEBENTURES AND BONDS		
TRADE - UNQUOTED	**362.01**	127.50
Less : Provision for diminution in value of investment	**79.51**	75.00
	282.50	52.50
IN OTHER SECURITIES		
NON TRADE - QUOTED	**88.75**	373.75
	88.75	373.75
NON TRADE - UNQUOTED	**0.09**	0.10
IN ASSOCIATION OF PERSONS		
NON TRADE - UNQUOTED		
Capital Contribution in Petroleum India International	**1.00**	1.00
Share in accumulated surplus of Petroleum India International as at 31st March 2003 (31st March 2002)	**206.16**	186.84
	6,528.88	8,564.57
Share of interest in Joint Ventures - UNQUOTED	**83.73**	85.44
Total	**6,612.61**	8,650.01

All investments are long-term investments.

Aggregate value of Unquoted Securities **Rs. 573.48 million** (previous year Rs. 325.88 million).

Aggregate value of Quoted Securities **Rs. 6,039.13 million** (previous year Rs. 8,324.13 million).

Market value of Quoted Securities **Rs. 6,549.54 million** (previous year Rs. 8,672.02 million).

SCHEDULE 'G' — INVENTORIES (CONSOLIDATED)

(As taken, valued and certified by the Management) @

		31/03/2003
	Rs. Million	Rs. Million
Stores and spares	**1,716.77**	1,671.55
Stores and spares in Transit	**77.45**	113.81
Raw materials	**9,062.36**	5,509.88
Stock in process	**2,584.75**	3,276.58
Finished products	**43,552.22**	44,080.20
Packages	**56.06**	40.27
	57,049.61	54,692.29
Share of interest in Joint Ventures	**373.72**	198.58
Total	**57,423.33**	54,890.87

@ Inventory valuation is as per Significant Accounting Policy no. 9

SCHEDULE 'H' — SUNDRY DEBTORS (CONSOLIDATED)

(Unsecured, Considered good unless otherwise stated)

		31/03/2003
	Rs. Million	Rs. Million
Debts outstanding for over six months :		
Considered good *	**1,120.59**	1,416.18
Considered doubtful	**2,462.39**	2,148.25
	3,582.98	3,564.43
Other debts	**13,426.15**	12,904.85
	17,009.13	16,469.28
Less : Provision for doubtful debts	**(2,462.39)**	(2,148.25)
	14,546.74	14,321.03
Share of interest in Joint Ventures	**164.06**	122.37
Total	**14,710.80**	14,443.40

* Includes **Rs. 2.88 million** (previous year Rs. 3.31 million) which are secured

SCHEDULE 'I' — CASH AND BANK BALANCES (CONSOLIDATED)

	Rs. Million	31/03/2003 Rs. Million
Cash on Hand	**4,266.50**	2,498.72
[Includes drafts and cheques of **Rs.4,136.62 million** (previous year Rs. 2,372.61 million) on hand]		
With Scheduled banks :		
In current accounts	**2,164.73**	2,518.61
In deposit accounts	**3,028.99**	6,135.87
Remittances in transit	**123.19**	328.64
	9,583.41	11,481.84
Share of interest in Joint Ventures	**645.93**	82.23
Total	**10,229.34**	11,564.07

SCHEDULE 'J' — OTHER CURRENT ASSETS (CONSOLIDATED)

	Rs. Million	31/03/2003 Rs. Million
Interest accrued on investments	**10.03**	8.10
Interest accrued on bank deposits	**0.43**	13.76
	10.46	21.86
Share of interest in Joint Ventures	**1.12**	2.05
Total	**11.58**	23.91

SCHEDULE 'K' — LOANS AND ADVANCES (CONSOLIDATED)

(Unsecured, Considered good unless otherwise stated)

	Rs. Million	31/03/2003 Rs. Million
Loans (Secured) :		
To companies		
Considered doubtful	**1.05**	1.05
Less: Provision for doubtful loans	**(1.05)**	(1.05)
To staff *	**5,820.28**	5,521.81
Loans:		
To companies		
Considered Good	**—**	3.50
Considered doubtful	**28.08**	28.08
Less: Provision for doubtful loans	**(28.08)**	(28.08)
To Staff	**61.02**	62.88
To others	**103.73**	95.09
Advances:		
Share Application money pending allotment/Advance towards equity shares	**—**	109.98
Considered Doubtful	**11.33**	—
Less: Provision towards share application money pending allotment	**(11.33)**	—
Advances recoverable in cash, or in kind or for value to be received **	**2,043.07**	1,930.96
Advances considered doubtful	**67.73**	48.49
Less : Provision for doubtful advances	**(67.73)**	(48.49)
	8,028.10	7,724.22
Material given on Loan (Secured)	**6.11**	4.92
Less : Deposits Received	**(6.11)**	(4.92)
Dues from Pool Account (Petroleum Planning & Analysis Cell - Government of India)	**14,799.27**	14,584.59
Claims :		
Considered good	**3,077.08**	3,406.31
Considered doubtful	**139.22**	134.17
Less : Provision for doubtful claims	**(139.22)**	(134.17)
	3,077.08	3,406.31
Advance Income Tax (Net of provision for taxation)	**1,789.21**	1,481.22
Deposits :		
With Customs/Excise/Port Trust etc. (repayable on demand)	**482.51**	202.77
Others	**302.97**	306.03
	785.48	508.80
Considered doubtful	**0.19**	0.19
Less: Provision for doubtful deposits	**(0.19)**	(0.19)
	785.48	508.80
	28,479.14	27,705.14
Share of interest in Joint Ventures	**251.73**	228.60
Total	**28,730.87**	27,933.74

* Include :
Due from Officers : **Rs. 25.49 million** (previous year Rs 21.59 million)
Maximum balances :**Rs 29.03 million** (previous year Rs 23.10 million)

Due from Directors : **Rs 2.36 million** (previous year Rs 2.49 million)
Maximum balances : **Rs 2.87 million** (previous year Rs 3.31 million)

** Includes an amount of **Rs. 74.54 million** (previous year Rs. 59.80 million) alongwith interest of **Rs. 76.26 million** (previous year Rs. 60.14 million) deposited as per court order in Land Compensation cases for which appeals are pending.

SCHEDULE 'L' — LIABILITIES (CONSOLIDATED)

	Rs. Million	31/03/2003 Rs. Million
Current Liabilities :		
Sundry creditors		
Total outstanding dues to Small Scale Industries (SSI's)	**119.11**	145.94
Total outstanding dues to creditors other than SSI's	**39,839.28**	43,143.92
Materials taken on loan	**0.67**	2.55
Less : Deposits given	**(0.67)**	(2.55)
Deposits from Customers	**7.58**	7.17
Deposits for containers	**23,995.31**	21,614.44
Investors Education & Protection Fund shall be credited by the following amount*		
Unclaimed Dividend	**25.85**	19.62
Unclaimed Deposits	**32.39**	14.91
Unclaimed Interest on Deposits	**3.04**	—
Other liabilities	**15,285.74**	15,091.43
Interest accrued but not due on loans	**592.74**	591.83
	79,901.04	80,629.26
Share of interest in Joint Ventures	**547.65**	537.52
Total	**80,448.69**	81,166.78

* No amount is due at the end of the year for credit to Investors Education and Protection Fund.

SCHEDULE 'M' — PROVISIONS (CONSOLIDATED)

	Rs. Million	31/03/2003 Rs. Million
Provision for Taxation (Net of Tax paid)	**2,779.61**	148.01
Proposed dividend	**4,440.68**	4,721.93
Corporate Dividend Tax on proposed dividend	**737.87**	744.96
Provision for retirement benefits	**2,568.40**	2,209.89
Provision for excise duty refund	**2,571.84**	2,571.84
	13,098.40	10,396.63
Share of interest in Joint Ventures	**18.53**	5.77
Total	**13,116.93**	10,402.40

SCHEDULE 'N' — SALE OF PRODUCTS (CONSOLIDATED)

	Rs. Million	2002-03 Rs. Million
Sales	**613,194.71**	554,148.18
Subsidy on LPG (Domestic) & SKO (PDS)	**9,860.16**	13,497.10
Net Recovery from/(payment to) Pool Account (Petroleum Planning & Analysis Cell - Government of India)	**268.71**	(407.24)
	623,323.58	567,238.04
Share of interest in Joint Ventures	**2,369.63**	2,014.58
Total	**625,693.21**	569,252.62

SCHEDULE 'O' — MISCELLANEOUS INCOME (CONSOLIDATED)

	Rs. Million	2002-03 Rs. Million
Interest on bank deposits and others *	**520.21**	607.19
Tax deducted at source - **Rs. 47.20 million** (previous year Rs. 100.27 million)		
Income from Investments		
Long Term		
Interest **	**479.20**	696.75
Dividend	**21.34**	—
From AOP (Petroleum India International)	**29.32**	32.58
Profit on Sales/Maturity	**149.37**	54.00
Excess provision for expenses written back	**6.22**	36.61
Write back (net)	**171.60**	—
Other income #	**2,845.62**	2,075.25
	4,222.87	3,502.38
Share of interest in Joint Ventures	**40.74**	14.58
Total	**4,263.61**	3,516.96

* Includes interest received from Income tax authorities **Rs. 2.36 million** (previous year Rs. 27.57 million)
** Includes interest received from Oil bonds **Rs. 445.34 million** (previous year Rs. 683.17 Million)
# Includes amortisation of capital grants **Rs. 0.07 million** (previous year Rs. 0.07 million)

SCHEDULE 'P' — INCREASE/(DECREASE) IN INVENTORY (CONSOLIDATED)

	Rs. Million	2002-03 Rs. Million
Value of closing stock of		
Finished goods	**43,561.52**	44,080.20
Stock in process	**2,584.75**	3,276.58
	46,146.27	47,356.78
Less :		
Value of opening stock of		
Finished goods	**44,080.20**	28,935.34
Stock in process	**3,276.58**	1,291.42
	47,356.78	30,226.76
	(1,210.51)	17,130.02
Share of interest in Joint Ventures	**13.35**	6.71
Total	**(1,197.16)**	17,136.73

SCHEDULE 'Q' — RAW MATERIALS CONSUMED (CONSOLIDATED)

	Rs. Million	2002-03 Rs. Million
Opening Stock	**5,767.54**	5,089.80
Add : Purchases	**202,140.70**	200,202.73
Less: Closing Stock	**(7,854.63)**	(5,509.88)
	200,053.61	199,782.65
Share of interest in Joint Ventures	**560.55**	459.58
Total	**200,614.16**	200,242.23

SCHEDULE 'R' — CONSUMPTION OF STORES, SPARES AND MATERIALS (CONSOLIDATED)

	Rs. Million	2002-03 Rs. Million
Stores, spares and materials	**1,401.99**	1,337.00
Less : Charged to other revenue accounts	**(844.89)**	(833.09)
	557.10	503.91
Share of interest in Joint Ventures	**13.12**	8.66
Total	**570.22**	512.57

SCHEDULE 'S' — POWER AND FUEL (CONSOLIDATED)

	Rs. Million	2002-03 Rs. Million
Power and Fuel	**9,716.12**	10,210.41
Less: Consumption of fuel out of own production	**(9,393.66)**	(9,873.96)
	322.46	336.45
Share of interest in Joint Ventures	**24.54**	19.76
Total	**347.00**	356.21

SCHEDULE 'T' — EMPLOYEES' REMUNERATION AND OTHER BENEFITS (CONSOLIDATED)

	Rs. Million	2002-03 Rs. Million
Salaries and wages	**5,690.00**	5,223.89
Contribution to provident fund and other funds	**589.09**	626.86
Contribution to gratuity fund	**117.93**	169.94
Welfare expenses	**1,541.62**	1,529.29
	7,938.64	7,549.98
Share of interest in Joint Ventures	**103.16**	81.82
Total	**8,041.80**	7,631.80

SCHEDULE 'U' — INTEREST (CONSOLIDATED)

	Rs. Million	2002-03 Rs. Million
On Bonds	**382.03**	567.21
On Fixed Loans	**1,720.68**	2,864.71
Others	**390.73**	1,376.18
	2,493.44	4,808.10
Share of interest in Joint Ventures	**83.22**	102.61
Total	**2,576.66**	4,910.71

SCHEDULE 'V' — OTHER OPERATING AND ADMINISTRATION EXPENSES (CONSOLIDATED)

	Rs. Million	2002-03 Rs. Million
Repairs and maintenance :		
Machinery	**1,703.98**	1,960.98
Building	**166.14**	137.07
Others	**723.65**	758.21
	2,593.77	2,856.26
Insurance	**474.18**	549.41
Rent	**1,060.06**	919.82
Rates and taxes	**438.71**	483.58
Charities and donations	**16.76**	12.31
Remuneration to auditors	**2.42**	1.83
Utilities	**672.66**	593.28
Write off :		
Bad debts and Claims	**230.85**	153.08
Diminution in value of investments	**—**	758.80
Less : Provision made earlier	**—**	(758.77)
Others	**19.86**	33.98
Provision for :		
Doubtful debts and advances	**355.33**	877.83
Diminution in value of investments	**4.51**	—
Others	**18.50**	55.28
Charges paid to other oil companies	**717.73**	486.76
Travelling and conveyance	**877.03**	782.48
Telephone, Telex, Cables, Postage etc.	**314.86**	290.59
Loss on sale/write off of Fixed Assets (net)	**9.08**	7.32
Brokerage on Public Deposit	**3.79**	14.27
Other expenses	**3,536.82**	2,949.86
	11,346.92	11,067.97
Share of interest in Joint Ventures	**303.64**	270.81
Total	**11,650.56**	11,338.78

SCHEDULE 'W' — PRIOR PERIOD INCOME/(EXPENSES) (NET) (CONSOLIDATED)

	Rs. Million	2002-03 Rs. Million
Sale of products	**149.12**	444.04
Miscellaneous Income	**25.41**	1.74
Purchase of product for resale	**(506.71)**	(406.48)
Employees' Remuneration and Other Benefits	**—**	(13.63)
Duties, taxes etc. and other product charges	**91.02**	—
Transportation	**5.52**	1.28
Consumption of stores, spares and materials	**(40.08)**	(1.57)
Rent, Rates & Taxes	**2.47**	—
Other operating and administration expenses	**(49.28)**	21.31
Interest	**36.77**	(0.47)
Depreciation	**(18.35)**	17.24
	(304.11)	63.46
Share of interest in Joint Ventures	**—**	(2.21)
Total	**(304.11)**	61.25

SCHEDULE 'X' — STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2004 (CONSOLIDATED)

A) STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF CONSOLIDATION:

The Consolidated Financial Statements relate to Bharat Petroleum Corporation Limited (the Company), its subsidiary companies and the interest of the Company in joint ventures, in the form of jointly controlled entities.

(a) Basis of accounting:

(i) The Financial Statements of the subsidiary companies and the joint venture companies (JVCs) used in the preparation of the Consolidated Financial Statements are drawn upto the same reporting date as that of the Company i.e. 31st March, 2004.

(ii) The Consolidated Financial Statements have been prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India, and generally accepted accounting principles.

(b) Principles of Consolidation:

The Consolidated Financial Statements have been prepared on the following basis:-

(i) The Financial Statements of the Company and its subsidiary companies (which are not in the nature of joint ventures) have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses. The intra group balances and intra group transactions and unrealised profits or losses resulting from intra group transactions are fully eliminated.

(ii) The Consolidated Financial Statements include the interest of the Company in JVCs, which has been accounted for using the proportionate consolidation method of accounting and reporting whereby the Company's share of each of the assets, liabilities, income and expenses of a jointly controlled entity is considered as separate line items in the Consolidated Financial Statements.

(iii) The share of equity in the subsidiary companies as on the date of investment, being in excess of the cost of investment of the Company, the difference is recognised as "Capital Reserve on Acquisition of Subsidiaries" and shown under the head "Reserves and Surplus" in the Consolidated Financial Statements.

(iv) Minority interest in the Net Asset of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders as on the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity subsequent to the dates of investments as stated above.

(c) The subsidiary companies and the JVCs which are included in consolidation and the percentage of ownership interest therein of the Company as on 31st March 2004 are as under :

	Percentage of ownership interest as on		Country of Incorporation
	31/03/2004	31/03/2003	
Subsidiaries			
Kochi Refineries Limited	**54.81**	54.81	India
Numaligarh Refinery Limited	**62.96**	62.96	India
Joint Venture Companies (JVC)			
Indraprastha Gas Limited	**22.50**	22.50	India
Petronet India Limited	**16.00**	16.00	India
Bharat Shell Limited	**49.00**	49.00	India
Petronet CCK Limited	**26.00**	26.00	India
Petronet CI Limited	*	11.00	India
Petronet LNG Limited	**12.50**	12.50	India
Bharat Oman Refineries Limited	**50.00**	50.00	India
VI eTrans Private Limited	**33.33**	33.33	India

* The management of Petronet CI Limited is of the opinion that the company cannot be considered to be a going concern as on 31.03.2004. Hence the interest in the said jointly controlled entity is not

considered for the purpose of Consolidated Financial Statement for the year ended 31.03.2004 and the value of investment has been provided for.

2. **ACCOUNTING CONVENTION**

The financial statements are prepared under historical cost convention in accordance with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, adopting accrual system of accounting except where otherwise stated.

3. **USE OF ESTIMATES**

The preparation of financial statements requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Differences between actual results and estimates are recognised in the period in which they materialise.

4. **FIXED ASSETS**

4.1 LAND

Land acquired on lease where period of lease exceeds 99 years is treated as freehold.

4.2 FIXED ASSETS OTHER THAN LAND

Expenditure on assets, other than plant and machinery, LPG cylinders and pressure regulators, not exceeding Rs.1,000 per item is charged to revenue.

4.3 Machinery spares that can be used only in connection with an item of fixed asset and their use is expected to be irregular are capitalised. Replacement of such spares is charged to revenue.

4.4 EXPENDITURE DURING CONSTRUCTION PERIOD

Direct expenses including borrowing cost and crop compensation for laying pipelines incurred during construction period on capital projects are capitalised. Indirect expenses of the project group are allocated only to the projects costing Rs. 50 million and above.

5. **INTANGIBLE ASSETS**

5.1 Cost of right of way that are perennial in nature are not amortised.

5.2 Expenditure incurred for creating / acquiring other intangible assets of Rs. 5 million and above, from which further economic benefits will flow over a period of time, is amortised over the estimated useful life of the asset or five years, whichever is lower, from the time the intangible asset starts providing the economic benefit.

5.3 In other cases, the expenditure is charged to revenue in the year the expenditure is incurred.

6. **BORROWING COSTS**

Borrowing costs attributable to acquisition, construction or production of qualifying asset are capitalised as part of the cost of that asset, till the month in which the asset is ready for use. Other borrowing costs are recognised as an expense in the period in which these are incurred.

7. **DEPRECIATION**

7.1 Premium paid for acquiring leasehold land for lease period not exceeding 99 years, is amortised over the period of lease.

7.2 LPG cylinders and pressure regulators and other fixed assets costing not more than Rs. 5,000 each, are depreciated @100 percent in the year of capitalisation.

7.3 Depreciation on assets not owned by the Corporation is amortised over a period of five years from the year of capitalisation.

7.4 In case of Indraprastha Gas Limited, mother compressors and online compressors are being depreciated on straight line basis over a period of 7 years.

7.5 Depreciation on other fixed assets is provided under the straight line method, at rates prescribed under Schedule XIV to the Companies Act, 1956 except in case of two joint venture companies Bharat Oman Refineries Limited and VI eTrans Private Limited who have provided depreciation under the written

down value method. Additions to fixed assets during the year are being depreciated on pro rata basis from the beginning of the month in which such assets are capitalised.

8. INVESTMENTS

8.1 Current investments are valued at lower of cost or fair market value.

8.2 Long-term investments, other than investments in Government Securities and Public Sector Bonds, are valued at cost. Provision for diminution is made to recognise a decline, other than of temporary nature, in the value of such investments.

8.3 Government Securities and Public Sector Bonds are valued at lower of cost or redemption price.

9. INVENTORY

9.1 RAW MATERIAL AND INTERMEDIATE

Raw material and Intermediate are valued at cost. Cost is determined as follows:

9.1.1 Crude oil on first in first out basis.

9.1.2 Base oil and additives on weighted average cost.

9.1.3 Intermediate Stocks at raw material cost plus cost of conversion

In case there has been a decline in the price of raw material and the realisable value of the finished products is expected to be lower than the cost of the finished products, raw material and intermediate are valued at net realisable value.

9.2 FINISHED PRODUCTS

9.2.1 Finished products other than Lubricants are valued at cost on first in first out basis or at net realisable value, whichever is lower.

9.2.2 Lubricants are valued at weighted average cost or at net realisable value, whichever is lower.

9.3 Stores are valued at weighted average cost. Slow moving / obsolete items identified as surplus are valued at Re nil.

9.4 Packages are valued at weighted average cost or at net realisable value, whichever is lower.

10. CENVAT

Cenvat credit on eligible Revenue/Capital purchase is recognised on receipt of such materials.

11. CLAIMS AND PROVISIONS

Claims/Surrenders on/to Petroleum Planning and Analysis Cell, Government of India are booked on 'in principle acceptance' thereof on the basis of available instructions/clarifications subject to final adjustments after Pool audit, as stipulated. Other claims are booked when there is a reasonable certainty of recovery. Provisions, as appropriate, are made based on the merits.

12. SALES

Sales are net of trade discounts and include, inter alia, excise/customs duties, claim from Petroleum Planning and Analysis Cell, Government of India and other elements allowed by the Government from time to time.

13. RAW MATERIALS CONSUMED

Raw materials consumed is net of claims from Petroleum Planning and Analysis Cell, Government of India.

14. CLASSIFICATION OF INCOME/EXPENSES

14.1 Expenditure on Research, other than capital expenditure, is charged to revenue in the year the expenditure is incurred.

14.2 Being not material :

14.2.1 Income/expenditure upto Rs. 0.50 million in each case pertaining to prior years is charged to the current year except in case of Bharat Shell Ltd, Indraprastha Gas Ltd, Petronet India Ltd, Petronet LNG Ltd, Petronet CCK Ltd, Bharat Oman Refineries Ltd, VI eTrans Private Ltd wherein no such policy exists.

14.2.2 Prepaid expenses upto Rs. 0.01 million in each case, are charged to revenue as and when incurred except in case of Bharat Shell Ltd, Indraprastha Gas Ltd, Petronet India Ltd, Petronet LNG Ltd, Petronet CCK Ltd, VI eTrans Private Ltd wherein no such policy exists.

14.2.3 Liabilities for expenses, other than for transportation, rent and property taxes are provided for only if the amount exceeds Rs. 0.01 million in each case except in case of Bharat Shell Ltd, Indraprastha Gas Ltd, Petronet India Ltd, Petronet LNG Ltd, Petronet CCK Ltd, VI eTrans Private Ltd. wherein no such policy exists.

14.2.4 Deposits placed with Government agencies/ local authorities which are perennial in nature are charged to revenue in the year of payment.

14.3 Income from sale of scrap is accounted for on realisation.

15. RETIREMENT BENEFITS

15.1 Contribution to Provident Fund is charged to revenue.

15.2 Gratuity, leave encashment and other retirement benefits are actuarially valued at the year end and provided for in the accounts except in case of

a) Bharat Shell Ltd. and Petronet LNG Ltd. towards leave encashment and superannuation, and

b) Petronet CCK Ltd. and Petronet India Ltd. towards leave encashment and gratuity where the method of valuation is other than acturial.

16. DUTIES ON BONDED STOCKS

16.1 Customs duty on Raw materials/Finished goods lying in bond are provided for at the applicable rates except where liability to pay duty is transferred to consignee.

16.2 Excise duty on Finished stocks lying in bond is provided for, at average of the assessable value applicable at each of the locations at maximum rates based on end use except where liability to pay duty is transferred to consignee.

17. FOREIGN CURRENCY TRANSACTIONS

17.1 Transactions in foreign currency are accounted at the exchange rate prevailing on the date of transaction. Exchange fluctuations between the transaction date and the settlement date in respect of fixed assets are adjusted in carrying cost. Gains / losses on revenue transactions are recognised in Profit and Loss Account.

17.2 Current assets and current liabilities involving transactions in foreign currency are converted at exchange rates prevailing on the date of Balance Sheet. Any profit/loss arising out of such conversion is charged to Profit and Loss Account.

17.3 Borrowings in foreign currency are converted at exchange rate prevailing on the date of Balance Sheet or forward contract rates, as the case may be. Exchange fluctuations/hedging costs on borrowings in foreign currency for acquisition of fixed assets are adjusted to the cost of assets and corresponding liability account.

17.4 Derivative transactions entered into by the Corporation to manage the exposures to fluctuations in interest rates and foreign currencies are treated as off Balance Sheet transactions. Gains or Loss arising therefrom are recognized as and when settlement takes place in accordance with the terms of the contract.

18. GOVERNMENT GRANTS

18.1 In case of depreciable assets, the cost of the asset is shown at gross value and grant thereon is taken to Capital Reserve as deferred income, which is recognised in the Profit and Loss Account over the useful life of the asset.

18.2 Government grants of the nature of promoters' contributions are credited to Capital Reserve and treated as part of Shareholders' funds.

19. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

19.1 Capital commitments and Contingent liabilities disclosed are those which exceed Rs.0.10 million in each case except

a) in case of Petronet LNG Ltd wherein Contingent liabilities, which are considered significant and material by the company, are disclosed

b) in case of Bharat Shell Ltd, Indraprastha Gas Ltd, Petronet India Ltd, Petronet CCK Ltd, VI eTrans Private Ltd. the same are disclosed in full.

19.2 Contingent liabilities in respect of show cause notices issued by various Government authorities are considered only when converted into demand.

20. TAXES ON INCOME

20.1 Provision for current tax is made in accordance with the provisions of the Income Tax Act , 1961.

20.2 Deferred tax on account of timing difference between taxable and accounting income is provided using the tax rates and tax laws enacted or substantially enacted by the Balance Sheet date.

B. NOTES FORMING PART OF ACCOUNTS

1. Deferred Tax Liability

As per the requirement of the Accounting Standard 22 on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India the net deferred tax liability charged to Profit during the year is **Rs. 2,173.28 million** (previous year Rs. 1,901.57 million). The year end position of Deferred Tax Liability and Assets is given below :

	Rs. Million	31/03/2003 Rs. Million
DEFERRED TAX LIABILITY		
Depreciation	**16,959.80**	15,025.75
Others	**96.50**	472.68
Share of Interest in Joint Venture	**103.51**	184.25
Total	**17,159.81**	15,682.68
DEFERRED TAX ASSETS		
Provisions for doubtful debts / claims / investments	**1,041.45**	914.96
Provisions for medical benefits	**126.56**	109.90
Disallowances u/s 43B of Income Tax Act,1961	**627.99**	577.67
Others	**890.40**	1,655.12
Share of Interest in Joint Venture	**31.69**	156.59
Total	**2,718.09**	3,414.24
Net Deferred Tax Liability	**14,441.72**	12,268.44

2. In respect of sale of subsidised LPG (Domestic) and SKO(PDS), as advised by the Ministry of Petroleum & Natural Gas, a part of the under-recovery suffered by the Oil Marketing Companies during the year was compensated by ONGC and GAIL, by offering discount on price of Crude Oil, SKO and LPG purchased from them. Accordingly, Bharat Petroleum Corporation Limited (BPCL) has accounted the discount received as follows:

a) Rs. 5,171.93 million discount received on crude oil purchased from ONGC has been adjusted against raw material cost; and

b) Rs. 652.08 million discount received on SKO and LPG purchased from ONGC/GAIL has been adjusted against "Purchase of product for resale".

3. During the year, the pricing formula of Bombay High crude oil, purchased from ONGC, was revised retrospectively from 1.4.2002. As a result, a credit of Rs 2,700.49 million pertaining to previous year has been adjusted under raw material consumption.

4. Pending finalisation of a scheme by Government of India in respect of irrecoverable state taxes for the year 2003-04, Rs. 1,716.89 million being net liability towards surrender of state surcharge collected by BPCL on sale of products viz. MS, HSD, SKO (PDS) and LPG (Domestic), has been provided in line with the scheme which existed during 2002-03. However, in respect of NRL and KRL, there was under-recovery on account

of Central Sales Tax amounting to Rs. 2,760.94 million which has been charged off to the Profit & Loss Account during the year 2003-04.

5. The group is operating under a single segment i.e. downstream petroleum sector and all other activities of the group revolve around this segment.

6. Provision for taxation in the Profit and Loss Account of the group includes **Rs. 6.27 million** (previous year Rs. 5.25 million) towards wealth tax.

7. BPCL and Numaligarh Refinery Limited (NRL) have numerous transactions with the other oil companies, which are reconciled on an ongoing basis and are subject to confirmation. Adjustment if any, arising therefrom are not likely to be material.

8. Sundry debtors include **Rs. 618.94 million** (previous year Rs. 618.94 million) (net) due from a customer, in respect of BPCL, pertaining to the period November 1992 to June 1996 and September 1997 to January 1999, towards price revision of a product, disputed by the customer. The dispute was referred to an arbitrator who has awarded the case in favour of BPCL along with interest. Both single bench and division bench of Mumbai High Court confirmed the award passed in favour of BPCL. The customer has filed Special Leave Petition in the Supreme Court challenging the division bench order. In view of the pendency of the matter in the Supreme Court, no effect is given in the accounts in respect of interest awarded by the arbitrator.

9. **Earnings per share**

		2003-04	2002-03
Profit after Tax	Rs. Million	**20,339.00**	15,527.36
Weighted average shares Outstanding during the year	million nos.	**300.00**	300.00
Basic earnings per share	Rs.	**67.80**	51.76
Diluted earnings per share	Rs.	**67.80**	51.76

10. **Related Party Disclosures as per Accounting Standard 18**

i) **Key Management Personnel** (Whole Time Directors) — M/s. Sarthak Behuria (Chairman & Managing Director), Ashok Sinha (Director Finance), S.A. Narayan (Director HR), S. Radhakrishnan (Director Marketing), M. Rohatgi (Director Refineries)

ii) Remuneration to key management personnel — **Rs 4.93 million** (previous year Rs. 4.59 million)

11. **Intangible Assets**

In accordance with Accounting Standard 26 , details of Intangible Assets recognised and amortised during the year are given below:

(Refer para 5 of Part A of Schedule X - Statement of Significant Accounting Policies and Notes forming part of Accounts)

Rs. Million

	AMORTISATION PERIOD	GROSS AMOUNT			AMORTISATION			NET AMOUNT	
Particulars	(No. of Years)	As at 1-4-03	Additions	**As at 31-3-04**	Upto 31-3-03	This year	**Upto 31-3-04**	**As at 31-3-04**	As at 31-3-03
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1. Right of Way	Perennial	38.26	60.36	**98.62**	—	—	—	**98.62**	38.26
2. Software	3	—	30.34	**30.34**	—	2.97	**2.97**	**27.37**	—
3. ERP System		—	64.60	**64.60**	—	21.53	**21.53**	**43.07**	—
Pending Amortisation*									
Process License		—	1.34	**1.34**	—	—	—	**1.34**	—
Total		38.26	156.64	**194.90**	—	24.50	**24.50**	**170.40**	38.26
Share of interest in Joint Venture		41.43	2.46	**43.89**	—	—	—	**43.89**	41.43
Grand Total		79.69	159.10	**238.79**	—	24.50	**24.50**	**214.29**	79.68
Total 2002-03		38.26	—	**38.26**	—	—	—	**38.26**	38.26
Share of interest in Joint Venture 2002-03		—	78.07	**78.07**	—	—	—	**78.07**	—
Grand Total 2002-03		38.26	78.07	**116.33**	—	—	—	**116.33**	38.26

There are no internally generated Intangible Assets.

* To be amortised from the time the Intangible Asset starts providing economic benefits.

12. Provision for current taxation includes **Rs. 291.10 million** (previous year Rs. 257.13 million) in respect of NRL and **Rs. 2.11 million** (previous year Rs. Nil) (proportionate share) in respect of Bharat Shell Limited towards Minimum Alternate Tax (MAT), as per the requirements of the provisions of section 115 JB of the Income Tax Act, 1961.

13. Capital Reserve on acqusition of subsidiaries includes Rs.629.60 million being the share of the group out of grant of Rs. 1,000 million received by NRL from the Government of India during the project period.

14. Government of India, Ministry of Finance (Department of Revenue) Notification No. 33/99-Central Excise dated 8/7/1999 as amended vide Notification No. 3/2000- Central Excise dated 9/2/2000, which provides for refund of excise duty paid in respect of goods cleared from Numaligarh Refinery, was in operation till February 2002. However, during the year 2001-02, Excise authorities disallowed the refund claim of NRL for the entire additional duty of excise on HSD amounting to Rs. 2,571.84 million and unilaterally deducted an amount of Rs. 107.54 million from refund dues of the company.

NRL has preferred an appeal with the appellate authority. Pending decision of the appellate authority, provision of Rs. 2,571.84 million which was made during 2001-02, has been retained in the books of accounts.

15. In respect of NRL, CENVAT on project capital goods netted off during 2002-03 to the tune of Rs. 921.69 million was reviewed in detail during the current year resulting in a reduction of credit of Rs. 194.13 million, which has increased the gross block of fixed assets to that extent. Consequently, depreciation of Rs.25.62 million relating to earlier years has been charged under "Prior Period Income/(Expenses) (Net)".

16. During the year, NRL has de-capitalized Know-how charge paid to Chevron, the Licensor of HCU and treated the same as deferred revenue expenditure with retrospective effect from the date of capitalization in line with the opinion received from the Institute of Chartered Accountants of India (ICAI). Consequent upon de-capitalisation, there has been a write back of depreciation amounting to Rs. 26.45 million and an amount of Rs. 173.92 million has been transferred to deferred revenue expenditure and charged to the Profit & Loss Account.

17. During the year, the additional transportation cost of crude oil supplied from Ravva Oil Field to Bongaigaon Refinery and Petrochemicals Limited (BRPL) was required to be shared equally by all the refineries in Assam. NRL's share of the said transportation cost has been treated as crude cost and also considered for valuation of stock.

18. In respect of KRL, excess income tax provision of Rs.155.00 million was written back and credited to the Profit & Loss account during 2000-01 towards accumulated losses and unabsorbed depreciation of erstwhile CRBL subject to fulfillment of the conditions specified in the then Section 72A of the Income Tax Act. The application for Income Tax relief is pending for disposal before the Central Government. On account of this, no further adjustment is considered necessary in the Accounts for the year.

19. In respect of KRL, export incentive for duty free import of crude oil under advance license against export of finished goods has been accounted upon its realisation during the current year, as against accrual basis in the previous year. This has resulted in increase in crude consumption cost with corresponding decrease in the profit by Rs. 194.07 million.

20. In case of Bharat Oman Refineries Limited, certain royalty payments to some of the process licensors aggregating Rs. 48.53 million (Proportionate Share Rs. 24.26 million) have become due during the previous year. The matter is under negotiation by BORL with the process licensors for postponing the payments to future dates. No liability has been provided in the books on this account and the amount is included in 'Estimated amount of contracts remaining to be executed on capital account and not provided for'.

21. In case of Petronet CCK Limited, income has been accounted based on tariff rates for usage of pipeline facilities by Oil Companies that are provisional and are under consideration with the Ministry of Petroleum & Natural Gas / Oil companies.

22. Petronet India Limted (PIL) has invested Rs. 260.00 million (proportionate share Rs. 41.60 million) in the equity of Petronet VK Limited (PVKL). Though the auditors of PIL have qualified their audit report towards non-provision for diminution in the value of investment in PVKL (amount not ascertained), no adjustments are considered necessary in view of the options being explored for usage of the pipeline facilities of PVKL.

23. Petronet LNG Limited raised Rs. 3,914.70 million through public issue of shares and utilised Rs. 84.70 million for project payments and balance Rs. 3,830.00 million is deposited as short term deposits with a scheduled bank.

24. As indicated in Significant Accounting Policies in respect of certain JVCs certain accounting policies followed towards Depreciation, Retirement Benefits and Classification of Income/ Expenses are not in line with that followed by BPCL. However considering the nature of transactions the impact is not expected to be material had the accounting policy of BPCL been followed.

25. Jointly Controlled Operations

BPCL has entered into production sharing oil and gas exploration contracts with the Government of India and other body corporates as follows:

Name	Participating Interest of BPCL (%) 31.03.2004	31.03.2003
IN INDIA		
Under NELP - IV Block		
KG/DWN/2002/1	**10%**	—
MN/DWN/2002/1	**10%**	—
CY/ONN/2002/2	**40%**	—
OUTSIDE INDIA	**NIL**	NIL

26. Interests in Joint Ventures

The Group's interest in Joint Ventures, accounted for using proportionate consolidation are :

(Rs. in Million)

				As at 31/03/2004	As at 31/03/2003
I	**ASSETS**				
	1.	Fixed Assets			
		- Gross Block		**2,323.83**	2,845.13
		- Less: Depreciation		**424.90**	282.65
		- Net Block		**1,898.93**	2,562.48
	2.	Intangible Assets		**43.89**	78.07
	3.	Capital work-in-progress		**2,993.40**	2,361.72
	4.	Investments		**83.73**	85.44
	5.	Current Assets, Loans and Advances			
		a)	Inventories	**373.72**	198.58
		b)	Sundry Debtors	**164.06**	122.37
		c)	Cash and Bank Balances	**645.93**	82.23
		d)	Other Current Assets	**1.12**	2.05
		e)	Loans & Advances	**251.73**	228.60
II	**LIABILITIES**				
	1.	Shareholders Funds - Reserves & Surplus		**425.90**	113.64
	2.	Loan Fund			
		a)	Secured Funds	**1,440.69**	1,318.37
		b)	Unsecured Funds	**1,204.42**	1,588.72
	3.	Deferred Tax - Liability		**71.82**	27.66
	4.	Current Liabilities & Provisions			
		a)	Liabilities	**547.65**	537.52
		b)	Provisions	**18.53**	5.77

SCHEDULE 'X' — (CONSOLIDATED) (Contd.)

		2003-04	2002-03
			(Rs. in Million)
III	**INCOME**		
1.	Sales and related income	**2,369.63**	2,014.58
	Excise Duty	**(327.20)**	(269.11)
		2,042.43	1,745.47
2.	Miscellaneous Income	**40.74**	14.58
3.	Increase/(Decrease) in Inventory	**13.35**	6.71
IV	**EXPENSES**		
1.	Purchase of Products for Resale	**522.49**	426.77
2.	Raw Material Consumed	**560.55**	459.58
3.	Packages Consumed	**85.17**	75.14
4.	Transportation	**70.48**	74.58
5.	Consumption of stores, spares and materials	**13.12**	8.66
6.	Power and Fuel	**24.54**	19.76
7.	Employees' remuneration and other benefits	**103.16**	81.82
8.	Interest	**83.22**	102.61
9.	Other operating and administration expenses	**303.64**	270.81
10.	Depreciation / Amortisation	**163.87**	124.92
11.	Miscellaneous Expenditure Written off	**0.45**	0.66
12.	Prior period (income)/expenses (net)	—	2.21
13.	Loss on Sale of Liquefied Petroleum Gas Business	—	0.16
14.	Profit before Taxation	**165.83**	119.08
15.	Provision for Taxation		
	a) Current Tax	**70.45**	42.16
	b) Deferred Tax	**36.47**	33.35
16.	Excess/(Short) provision for Taxation in earlier years written back/provided for	**(0.01)**	(0.04)
17.	Profit after Taxation	**58.90**	43.53
		As at 31/03/2004	As at 31/03/2003
V	**OTHER MATTERS**		
1.	Contingent Liabilities	**199.76**	174.10
2.	Capital Commitments	**880.75**	1,431.45

27. Capital Commitments and Contingent Liabilities :

			31/03/2003
		Rs. Million	Rs. Million
27.1	**Capital Commitments :**		
	Estimated amount of contracts remaining to be executed on capital account and not provided for	**8,645.67**	11,995.38
	Share of interest in Joint Venture	**880.75**	1,431.45
	Total	**9,526.42**	13,426.83
27.2	**Contingent Liabilities :**		
(a)	In respect of taxation matters of prior years	**1,468.66**	1,575.01
(b)	Other Matters :		
i)	Surety bonds executed on behalf of other oil companies for excise/customs duties for which BPCL has signed as surety	**1,930.46**	1,262.76
ii)	Claims against the Corporation not acknowledged as debts :		
	(a) Excise and customs matters	**3,319.35**	3,281.59
	(b) Sales tax matters	**5,847.04**	6,099.24
	(c) Others	**6,180.21**	3,384.70

These include **Rs. 3,431.59 million** (previous year Rs. 2,301.51 million) against which the Corporation has a recourse for recovery and **Rs. 1,539.69 million** (previous year Rs. 1,471.15 million) on capital account.

	iii) Claims on account of wages, bonus/ex-gratia payments in respect of pending court cases.	**81.82**	72.90
	iv) Guarantees on behalf of other companies *	**1,280.05**	1,274.37
(c)	Share of interest in Joint Venture	**199.76**	174.10

* Includes guarantees given by BPCL jointly with other promoter companies, in favour of banks and financial institutions for short term loans extended to Petronet LNG Limited. BPCL's share in the guarantee is Rs. 3,500 million. Petronet LNG Limited has given counter guarantee in favour of BPCL for the said amount. Based on the outstanding loan of Rs. 10,240.40 million in the books of Petronet LNG Limited as on 31.03.2004, BPCL's share for the purpose of consolidation is Rs.1,280.05 million.

28. **28.1** The net amount of exchange difference credited to the Profit and Loss Account is **Rs. 913.01 million including Rs. 1.55 million pertaining to share of interest in joint ventures** (previous year Rs. 182.76 million including Rs. 0.50 million pertaining to share of interest in joint ventures).

28.2 The amount of exchange difference debited to the carrying cost of fixed assets is **Rs. 17.35 million** (previous year credit Rs. 1.24 million).

28.3 The exchange difference amounting to **Rs. 1.69 million including Rs. 0.04 million pertaining to share of interest in joint ventures** (previous year Rs. 0.51 million including Rs. Nil pertaining to share of interest in joint ventures) in respect of forward exchange contract will be recognised in the Profit and Loss Account of one or more accounting periods.

29. **Managerial Remuneration :**

		2002-03
	Rs. Million	Rs. Million
Salary and allowances	**6.86**	5.82
Contributions to Provident Fund and other funds	**0.75**	0.66
Other benefits	**2.74**	2.84
Share of interest in Joint Ventures	**5.47**	5.38
	15.82	14.70

Includes **Rs. NIL** (previous year Rs.0.37 million) paid on account of salary revision as per directive of Department of Public Enterprises/Ministry of Petroleum & Natural Gas.

30. **Remuneration to Auditors :**

Including Service Tax

		2002-03
	Rs. Million	Rs. Million
(a) Audit fees	**1.30**	1.20
(b) Fees for other services-certification.	**0.88**	0.54
(c) Reimbursement of out of pocket expenses	**0.11**	0.09
(d) Share of interest in Joint Ventures	**0.83**	0.85
	3.12	2.68

31. **Research and development :**

		2002-03
	Rs. Million	Rs. Million
(a) Revenue Expenditure	**100.00**	76.20
(b) Capital Expenditure	**57.41**	128.66
	157.41	204.86

32. Figures have been regrouped wherever necessary.

CASH FLOW STATEMENT (CONSOLIDATED)

For the year ended 31st March	Notes	2004 Rs. Million	2003 Rs. Million
A Cash Flow from Operating Activities			
Net Profit Before tax and prior period items		**38,633.66**	29,502.70
Adjustments for :			
Depreciation		**8,244.55**	7,361.51
Interest paid		**2,576.66**	4,910.71
Foreign Exchange Fluctuations	Note 3	**(643.84)**	(95.72)
(Profit) / Loss on Sale of fixed assets		**11.41**	7.48
Income from Investments		**(657.89)**	(783.33)
Dividend Received		**(21.33)**	—
Other Non-Cash items	Note 4	**1,128.41**	306.28
Operating Profit before Working Capital Changes		**49,271.64**	41,209.63
Invested in :			
Trade Receivables		**(1,044.35)**	(3,399.13)
Other receivables		**(480.58)**	(12,705.69)
Inventory		**(2,572.90)**	(17,464.33)
Current Liabilities & Payables		**5.75**	34,591.50
LPG Business		**—**	19.42
Cash generated from Operations		**45,179.56**	42,251.40
Direct Taxes paid		**(10,191.35)**	(9,155.40)
Cash flow before prior period items		**34,988.21**	33,096.00
Prior Period Items		**(285.76)**	61.25
Net Cash from Operating Activities		**34,702.45**	33,157.25

CASH FLOW STATEMENT (CONSOLIDATED) — (Contd.)

For the year ended 31st March	Notes	2004 Rs. Million	2003 Rs. Million
B Net Cash Flow on Investing Activities			
Purchase of fixed assets	Note 5	**(17,571.41)**	(14,242.80)
Adjustment for retirement/reclassification of Fixed Assets		**80.88**	922.11
Sale of fixed assets		**106.42**	57.18
Proceeds from sale of LPG Business		**—**	21.24
Investment in Petroleum India International (AOP)		**(19.32)**	(16.29)
Purchase of Investment		**(237.50)**	(81.29)
Sale of Investments		**2,285.01**	3,060.03
Income from Investment		**670.22**	770.14
Dividend Received		**21.34**	—
Effect of Exchange Diff. A/c forward contract		**85.63**	4.22
Net Cash Flow on Investing Activities		**(14,578.73)**	(9,505.46)
C Net Cash Flow on Financing Activities			
Issue of Share Capital		**144.34**	—
Long term Borrowings		**723.79**	6,643.76
Repayment of loans		**(8,288.34)**	(9,753.11)
Interest paid		**(3,072.94)**	(5,259.68)
Interim Dividend Paid		**(2,030.63)**	(600.00)
Dividend Paid		**(4,721.93)**	(3,577.09)
Corporate Dividend Tax		**(744.96)**	—
Net Cash Flow on Financing Activities		**(17,990.67)**	(12,546.12)
D Net Increase / (Decrease) in Cash and Cash equivalents (A+B+C)		**2,133.05**	11,105.67

CASH FLOW STATEMENT (CONSOLIDATED) — (Contd.)

	Rs. Million	Rs. Million
Cash and Cash equivalents as at 31st March	**2003**	2002
Cash in Hand	**2,501.20**	2,081.60
Cash at Bank	**8,734.23**	2,531.66
Cash in transit	**328.64**	413.68
Cash Credit from scheduled banks	**(18,304.37)**	(15,872.91)
Unsecured loans from scheduled banks / ICDs / CPs	**—**	(7,000.00)
	(6,740.30)	(17,845.97)
Cash and Cash equivalents as at 31st March	**2004**	2003
Cash in Hand	**4,268.89**	2,501.20
Cash at Bank	**5,837.26**	8,734.23
Cash in transit	**123.19**	328.64
Cash Credit from scheduled banks	**(12,761.80)**	(18,304.37)
Unsecured loans from scheduled banks / ICDs / CPs	**(2,074.79)**	—
	(4,607.25)	(6,740.30)
Net change in Cash and Cash equivalents	**2,133.05**	11,105.67

Explanatory Notes to Cash Flow Statement

1. The Cash Flow Statement is prepared in accordance with the format prescribed by Securities and Exchange Board of India and as per Accounting Standard 3 prescribed by the Institute of Chartered Accountants of India.
2. In Part-A of the Cash Flow Statement, figures in brackets indicate deductions made from the Net Profit for deriving the net cash flow from operating activities. In Part-B and Part-C, figures in brackets indicate cash outflows.
3. The net profit / loss arising due to conversion of current assets / current liabilities/ Unsecured loan receivable / payable in foreign currency is furnished under the head "Foreign Exchange Fluctuations" .
4. "Other Non-Cash items" include excess provisions written back, foreign exchange adjustments, diminution in value of investment, transfer to Capital reserve, Bad debts and materials written off and miscellaneous adjustments not affecting cash flow.
5. "Purchase of Fixed Assets" is after reduction of liability by **Rs.17.35 million** (2002-03 additional liability of Rs. 1.24 million) arising on account of exchange rate variation during the year.
6. Figures of the previous year have been regrouped wherever necessary, to conform to current year's presentation.

For and on behalf of the Board of Directors

As per our attached report of even date
For **V. Sankar Aiyar & Co.**
Chartered Accountants

Sd/-
SARTHAK BEHURIA
Chairman & Managing Director

Sd/-
S. VENKATRAMAN
Partner

Place : Mumbai
Dated : 8th July, 2004

STATEMENT REGARDING SUBSIDIARY COMPANIES PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

Name of the Subsidiary Company	Financial Year ending of the Subsidiary Company	No. of shares held by BPC as on 31.3.2004	Extent of holding	The net aggregate amount of the Subsidiary Company's Profit/(Loss) so far as it concerns the members of the Holding Company and not dealt with in the accounts of the Holding Company (except to the extent dealt within col. 7 & 8)		The net aggregate amount of the Subsidiary Company's Profit/(Loss) so far as it concerns the members of the Holding Company and dealt with in the accounts of the Holding Company	
1	2	3	4	5	6	7	8
				For the financial year ended on 31.3.2004 (Rs. In Million)	For the previous financial years since it became a subsidiary company (Rs. In Million)	For the financial year ended on 31.3.2004 (Rs. In Million)	For the previous financial years since it became a subsidiary company (Rs. In Million)
Kochi Refineries Ltd.(with effect from 26.3.2001)	31.3.2004	75,889,660 shares of Rs. 10/- each fully paid up	54.81%	3042.43	1800.98	758.90	326.32
Numaligarh Refinery Limited (with effect from 31.3.2001)	31.3.2004	463,188,856 shares of Rs.10/- each fully paid up	62.96%	1353.35	1262.68	333.49	277.92

For and on behalf of the Board of Directors

Sd/-
Sarthak Behuria
Chairman & Managing Director

Sd/-
Ashok Sinha
Director (Finance)

Sd/-
D.M. Naik Bengre
Company Secretary

Place : Mumbai
Date : 27th July, 2004

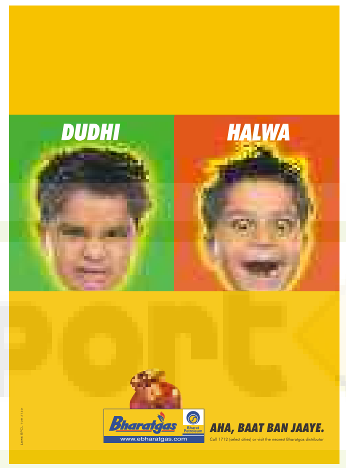
ANNEXURE F

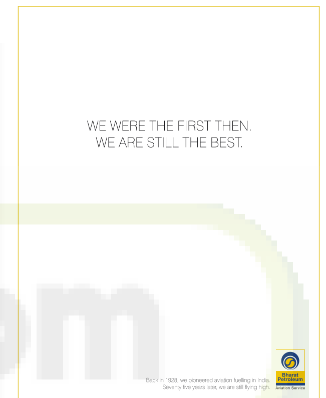
DETAILS OF SUBSIDIARY COMPANIES BALANCE SHEET AS AT 31ST MARCH, 2004

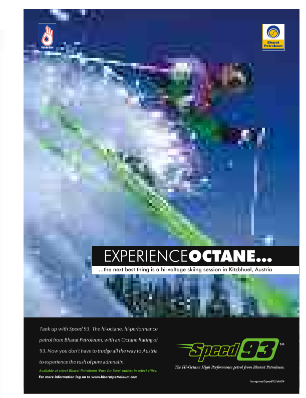
	Rs. Million Kochi Refineries Limited	Rs. Million Numaligarh Refinery Limited
I. SOURCES OF FUNDS		
1. Shareholders' funds :		
Share Capital	1,384.70	7,356.32
Share Application Money	0.02	—
Reserves and Surplus	16,668.67	3,997.45
	18,053.39	11,353.77
2. Loan funds :		
Secured Loans	609.05	3,979.25
Unsecured Loans	5,195.21	7,696.88
	5,804.26	11,676.13
3. Deferred tax liabilty (net)	3,079.55	3,066.40
TOTAL	26,937.20	26,096.30
II. APPLICATION OF FUNDS		
1. Fixed Assets :		
Gross block	22,608.50	25,159.27
Less : Depreciation	9,400.41	4,627.43
Net block	13,208.09	20,531.84
Intangible Assets	43.07	—
Capital work-in-progress	741.15	1,256.39
	13,992.31	21,788.23
2. Investments	705.58	—
3. Current assets, loans and advances :		
Inventories	8,710.24	5,952.24
Sundry debtors	8,220.78	2,297.45
Cash and bank balances	3,053.04	264.32
Other current assets	135.94	—
Loans and advances	3,512.83	2,968.45
	23,632.83	11,482.46
Less : Current liabilities and provisions :		
Liabilities	9,174.40	3,839.57
Provisions	2,219.12	3,334.82
	11,393.52	7,174.39
Net current assets	12,239.31	4,308.07
TOTAL	26,937.20	26,096.30

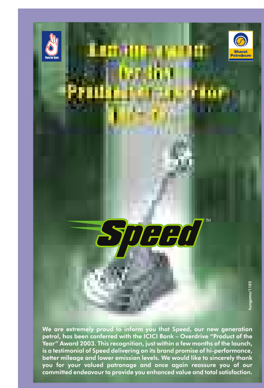
DETAILS OF SUBSIDIARY COMPANIES
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

	Rs. Million Kochi Refineries Limited	Rs. Million Numaligarh Refinery Limited
INCOME		
Sale of products & related income	115,131.50	32,202.56
Less: Excise Duty Paid	(16,548.54)	(3,273.80)
	98,582.96	28,928.76
Miscellaneous income	594.40	83.85
Products consumed internally	56.09	—
Increase/(Decrease) in Inventory	(660.35)	2,347.94
TOTAL	98,573.10	31,360.55
EXPENDITURE		
Raw materials consumed	85,570.65	21,612.29
Packages consumed	73.90	—
Excise Duty on Inventory differential	(282.30)	246.70
Other Duties, taxes etc. and other charges applicable to products	—	978.94
Transportation	96.02	1,228.94
Consumption of stores, spares and materials	240.10	121.33
Power and Fuel	97.07	15.11
Employees' remuneration and other benefits	1,021.56	304.51
Interest	397.67	1,046.05
Other operating and administration expenses	1,158.82	479.53
Depreciation and Amortisation	1,142.42	1,326.69
Miscellaneous Expenditure Written off	—	218.86
TOTAL	89,515.91	27,578.95
Profit	9,057.19	3,781.60
Income/(Expenditure) relating to Prior period income/(expenses) net	40.41	(9.27)
Profit before tax	9,097.60	3,772.33
Provision for Taxation		
- Current Tax	2,920.00	291.10
- Deferred Tax (Net)	46.73	1,331.69
Excess/(Short) provision for Taxation in earlier years written back/provided for	(580.00)	—
Profit after tax	5,550.87	2,149.54
Balance brought forward	11,024.04	0.10
Disposable Profit	16,574.91	2,149.64
Appropriations:		
Final (proposed) dividend	1,661.64	647.36
Corporate Dividend Tax on interim and proposed Dividend	212.90	82.94
	1,874.54	730.30
Transfer to General Reserve	555.10	1,419.24
Balance Carried to Balance Sheet	14,145.27	0.10
Earnings per Share		
- Basic & Diluted	40.09	2.92









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